

MEETING:	CABINET
DATE:	MARCH 18 2010
TITLE OF REPORT:	SHARED SERVICES
PORTFOLIO AREA:	CORPORATE & CUSTOMER SERVICES AND HUMAN RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

On 18 February 2010 the Cabinet agreed that the Council should continue to develop the Shared Services using one or more of three models as appropriate, noted that the Business Transformation Board was responsible for implementing Shared Services and authorised the Deputy Chief Executive to progress negotiations and seek further decisions from the Cabinet as necessary.

The purpose of this report is to update the Cabinet on negotiations, to report the findings of an appraisal and evaluation of the three models and to seek agreement to progress using a public-public partnership as the preferred model.

A similar report seeking the same decisions will be presented to the PCT Board on 25 March 2010.

Key Decision

This is not a key Decision.

Recommendation

THAT Cabinet

- (a) **The Cabinet agrees the preferred option for the delivery and commissioning of the shared services is a Joint Venture Company (representing a public public partnership) involving the Council, NHS and HHT;**
- (b) **The Cabinet authorises the Deputy Chief Executive (DCE) to progress and take all necessary steps to establish a JVCo in**

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consultation with the Leader and Deputy Leader of the Council and Trust Boards;

- (c) A further report seeking formal decision to agree terms of the Council's participation in the JVCo be presented to Cabinet in due course.**

Key Points Summary

- The Business Transformation Board have undertaken an options appraisal to identify a preferred delivery model for shared services and are now presenting the results to the Cabinet.
- The Business Transformation Board have formed the view that the partners should establish a joint venture company ("JVCo") which it is proposed will be the delivery vehicle for the provision and/or commissioning of some of the shared services;
- The JVCo would provide the vehicle to progress the procurement of and partnership with a private sector strategic partner jointly with its NHS and HHT partners if required.
- The business case made it clear that the strategic partner model is likely to be the most advantageous to secure the longer term benefits. However, the lead time required to appoint a strategic partner(s) is a minimum of 12 to 18 months.
- The Business Transformation Board are recommending a two stage process; (1) the establishment of JVCo to deliver short to medium term benefits and (2) the further consideration of the strategic private sector partner option for the longer term;

Reasons for Recommendations

1. To enable work on Shared Services to progress and to enable the projected benefits and costs savings for 2010-11 financial year to be delivered.

Introduction and Background

2. The scope of this work is the implementation of a shared services strategy for the Council, NHS Herefordshire (the PCT) and Hereford Hospital Trust (HHT) which collectively form the Herefordshire Shared Services Partnership (HSSP).

Key Considerations

3. A number of key public service drivers underpin the Shared Services work, these include:
 - i. Making local public services more joined up, customer focused and responsive, so that they are easier to understand and access
 - ii. Maintaining a strong sense of place for Herefordshire
 - iii. Consideration the likely outcomes of the Public Sector Finance settlement and need to secure efficiencies and provide value for money

- iv. Increasing the quality of service with against a background of increasing demand for many front line services

These drivers are reflected in the design principles for the shared services within the business case already agreed by the Cabinet. Those design principles have been used as the basis for evaluating the options presented in this report. The Cabinet is being asked to consider a preferred option based on that evaluation.

Background Information

4. The Council is in a deep partnership with NHSH known as Herefordshire Public Services. The partners and HHT have developed a business case for delivery and/or procurement of their back office services on a shared basis. The partners have established a Business Transformation Board (see membership list at Appendix 3) to take forward the negotiations and in February 2010 agreed to explore three possible options for the shared services arrangement.
5. The Business Transformation Board has undertaken an options appraisal to identify a preferred delivery model and is now presenting the results to the Cabinet as set out in Appendix 1.
6. The Business Transformation Board have formed the view that the partners should establish a joint venture company ("JVCo") which it is proposed will be the delivery vehicle for the provision and/or commissioning of some of the shared services.
7. The detailed blueprints for the first cluster of service areas (HR, Payroll, Expenses, Finance, Procurement and Legal) are currently being developed and the Business Transformation Board is not yet in a position to present the detailed business case and business model for each service area. Therefore it is not yet possible to provide full details of the service delivery arrangements for each service stream.
8. However, from the options appraisal it is clear that the provision of services through a JVCo vehicle is likely to be the most advantageous and likely to meet the design principles set out in the business case for the majority of those services currently in scope. Final decisions on this need to be taken on service by service basis recognising that the business model overall needs to be sustainable in market terms.
9. The business case makes it clear that the strategic partner model is likely to be the most advantageous to secure the longer term benefits. If the partners wish to progress the procurement of and partnership with a private sector strategic partner in the longer term, a JVCo will also provide the vehicle for doing so jointly with its NHSH and HHT partners.
10. The Business Transformation Board are recommending a two stage process; (1) the establishment of JVCo to deliver short to medium term benefits and (2) the further consideration of the strategic private sector partner option for the longer term.
11. That process will involve a number of significant work streams including:
 - a. The negotiation of the terms of the partnership and establishment of the JV Company
 - b. Consultation and engagement with the Unions and staff on the implications for

staff and ensuring all management of change policies and legal duties and responsibilities are complied with

- c. Dealing with all financial and commercial considerations
- d. Developing service blueprints, undertaking service transformation and preparation for service transfers as appropriate to the new public-public partnership

Work in these areas is already underway. All work streams will be aligned as the shared services project progresses in order to achieve consistent outcomes and phased implementation. The detailed work plans for each work stream are being developed and the Business Transformation Board will receive regular updates on all activities. A key activity will be engagement with elected members, non-executive Directors, staff and unions.

- 12. Therefore, the Business Transformation Board are recommending that the partners establish a “shadow” JVCo and proceed with the work streams outlined in paragraph 8 without delay in order to realise the benefits (particularly the short term savings) and service improvements envisaged in the business case. The JVCo will then be ready to take over the services when required. The work on the establishment of the JVCo and the service blueprints needs to be concurrent in order to deliver the benefits in from 2010-11 as envisaged.
- 13. HHT have more limited powers than the Council and NHSH to enter into such arrangements and further work is needed to identify the exact arrangements between HHT and the remaining two partners. It is envisaged that HHT will be part of the public-public partnership but may be prevented from being a full partner in the JVCo. HHT understand the possible restrictions but are keen nevertheless to participate in negotiations with a view to establishing a public-public partnership.
- 14. The timeline for completion of this work is set out in Appendix 2.
- 15. The Cabinet are asked to consider the options appraisal at Appendix 1 and confirm its agreement to the establishment of a JVCo as the preferred model for shared services delivery and/or commissioning in the short to medium term. The Cabinet are also asked to authorise the Deputy Chief Executive to progress and take all necessary steps to establish the JVCo as the vehicle for delivery of shared services. The DCX should do so in consultation with the Leader and Deputy Leader. The Cabinet will need to consider and agree the terms of its participation in the JVCo before any services are transferred to it and it is anticipated that a further report seeking the necessary formal decisions will be brought to Cabinet at its June 2010 meeting.

Community Impact

- 16. The impact of developing shared services is explained in the agreed business case. The preferred option outlined in this paper will deliver improved quality, more efficient and effective back office support to front line services across the 3 partner organisations, will release savings to deal with future financial constraints and/or for reinvestment in front line services, will protect jobs and investment in the County in future. In particular, the preferred option provides an opportunity for the partners to provide those services to other public services providers in Herefordshire in line with the Total Place agenda.

Financial Implications

17. All the financial implications for the partners will need to be addressed and resolved as the initiative progresses. Before any transfer of services to JVCo, a full financial and commercial appraisal for each partner will need to be prepared and considered. This is reflected in the work streams at paragraph 11 of this report.

Legal Implications

18. There are a range of complex legal issues to be addressed as this initiative progresses. The options appraisal has been prepared with support from expert legal advisers. These issues will be addressed during negotiations and full legal implications of proceeding with the transfer of services to JVCo will be presented to Cabinet when firm proposals considered in June 2010.

Risk Management

19. A full risk analysis has been undertaken and is subject to regular review.

Alternative Options

20. Alternative options have been evaluated as part of the options appraisal (Appendix 1).

Consultees

21. Consultations have commenced and will continue to take place during the Shared Service Review with members, directors, heads of service, service managers, staff, Unions, non-executive directors (NHSH) and partners. A comprehensive communications strategy is being developed to support this work going forward.

Appendices

- Models & Options Paper (Appendix 1)
- Shared Services Timeline (Appendix 2)
- Membership of the Business Transformation Board (Appendix 3)

Background Papers

Shared Services Business Case