

<b>MEETING:</b>	<b>CABINET</b>
<b>DATE:</b>	<b>5 APRIL 2012</b>
<b>TITLE OF REPORT:</b>	<b>UPDATE ON THE SHARED SERVICES PROGRAMME</b>
<b>PORTFOLIO AREA:</b>	<b>CORPORATE SERVICES &amp; EDUCATION</b>

**CLASSIFICATION:** Open

## **Wards Affected**

County-wide

## **Purpose**

The purpose of this report is to update Cabinet on the progress of the Shared Services Programme, including an update on the development of Hoople Ltd.

## **Key Decision**

This is not a Key Decision

## **Recommendation(s)**

**THAT the Cabinet Notes:**

- a) progress to date with the development of Hoople Ltd;**
- b) that an annual shareholders' report will be produced by Hoople Ltd; and**
- c) progress on the implementation of the remainder of the Shared Services Programme and the proposal to reappraise options for support services as part of the Root and Branch Review Programme.**

## **Key Points Summary**

- This report outlines progress made on the Shared Services Programme and the implementation of Hoople Ltd. The continued reduction of support services costs is a key aspect of meeting the future funding challenges and helping us to protect front line services
- Hoople Ltd was established by the three partners, Herefordshire Council, NHS Herefordshire and Wye Valley Trust, in April 2011. The company provides finance, human resources, information technology, revenues and benefits and procurement services. It is committed to delivering savings for all partners, including £467k for the Council in 2011/12
- There has also been good progress with the remainder of the shared services programme: legal, communications, internal audit, emergency planning, communications, property services, transport and corporate transformation. Benefits of £543k from these services will be

delivered for the Council in 2011/12, with an additional £300k forecast from procurement.

- The partners are also exploring a range of other opportunities to share support and business services. For the Council, this will form part of the Root and Branch programme so that we can challenge what support services are provided in the future and how.
- The future development of the Shared Services Programme is taking account of wider national and local organisational changes, including those within the NHS. Whilst the nature of the partners will clearly change, the strong partnership in Herefordshire between local government and the health services will continue. Discussions will also take place with other organisations in Herefordshire to explore the opportunities for wider joint working

## Reasons for Recommendations

1. To ensure that the Cabinet is briefed and is able to give guidance as appropriate on the work on Shared Services, to enable the projected benefits and cost savings to be delivered.

## Introduction and Background

2. Herefordshire Council and its NHS partners have led the UK in their unique and pioneering approach to partnership working. Good progress has been made in integrating services to the public and, in parallel, to integrate and share the corporate and support services on which the partners' public services depend.
3. The Shared Services programme has the commitment of the Council, the Primary Care Trust and the Wye Valley NHS Trust. The aims of the programme are to:
  - Enable the three partners to work in true partnership, and be able to focus on their priorities, such as achieving a better quality of life, and improved health and wellbeing;
  - Revitalise local public services to help them become more efficient, joined up, customer focused and responsive;
  - Pool resources - such as human resources, information technology, finance, purchasing, estates management, transport and customer services - across organisations;
  - Strengthen investment in new ways of working, so that employees are supported by modern systems, training and development, as we redesign our services more around the individual needs of local people;
  - Boost employee skill levels, achieve best practice, increase capacity and flexibility, and improve communication and collaboration between organisations and service areas.
4. Cabinet (and the PCT and Wye Valley Trust Boards) has received a number of reports on the Shared Services Programme. Cabinet last received a progress report on 28 July 2011 and agreed the key steps required to implement the project. The following recommendations were approved:
  - a. Delegate the necessary authority to the Chief Executive of Herefordshire Council, who are the sole owners and shareholder in The Shared Services Partnership Ltd to make a gift of shares in The Shared Services Partnership to NHS Herefordshire and Wye Valley NHS Trust;
  - b. Delegate the necessary authority to the Chief Executive of Herefordshire Council to

exercise the voting rights in respect of the Council's shareholding in The Shared Services Partnership.

## **Key Considerations**

### **ESTABLISHMENT OF HOOPLE LTD**

5. In October 2010, Cabinet and the PCT and WVT Boards agreed to enter into formal shared services arrangements with its partners, adopting a 'multi-source' approach and the establishment of a Joint Venture Company. This recommendation was approved at the Full Council Meeting in November 2010.
6. Herefordshire Council established the company under the name of "The Shared Services Partnership Ltd" (TSSP) on 30 March 2011. The company delivers the following services:
  - Human Resources
  - Training & Education
  - ICT
  - Financial Services
  - Procurement
  - Revenue & Benefits
  - Payroll
7. On the 1 April 2011, 315 Herefordshire Council staff transferred to The Shared Service Partnership Ltd.
8. On the 12 October 2011 the TSSP was renamed "Hoople Ltd" which meets the aspirations of the partners and provides an innovative brand identity to support the development of a wide range of services.
9. On 1 November 2011, 31 PCT and 33 WVT Staff transferred to Hoople Ltd, triggering the partnership agreements and commitment between the partner organisations to co-operate to make a success of Hoople Ltd. The share ownership of the company is as follows:

Herefordshire Council – 62%

NHS Herefordshire (PCT) – 17%

Wye Valley NHS Trust – 21%

### **THE PARTNERSHIP PENSIONS ARRANGEMENTS UPDATE**

10. The Council successfully applied for "admitted body" status to allow Council employees who were TUPE transferred to The Partnership to continue membership of their current Local Government Pension Scheme (LGPS).
11. The Partnership, as the admitted body, and Herefordshire Council, as the letting authority, worked with Worcestershire County Council, as the Local Government Pension Scheme (LGPS) administering authority, to finalise the signed and sealed Admission Agreement that ensures that council staff retained their LGPS membership following their TUPE transfer to The Partnership on 1 April 2011.
12. The Partnership sought and successfully obtained "direction body" status from the DoH which allowed staff employed by the NHS to continue membership of their current NHS Pension

Scheme when they transferred to Hoople Ltd.

## **HOOPLE UPDATE**

13. The initial management focus has been on stabilising the Company to ensure it continues to deliver effective services to the current shareholders.
14. The business case savings have been fully delivered and opportunities are being explored to deliver beyond this in the coming year. On top of the savings, a small surplus is forecast for 2011/12 which will be reinvested in the business subject to shareholder approval.
15. Under the direction of the new Managing Director the company has started a change programme known as "MakeOne". This will have three distinct phases, the first to streamline the organisations management structure, the second to improve the way we work and the third to align staff terms and conditions.
16. Work is underway to develop awareness of the Hoople brand and the company's range of services. The new website recently went live and this will be developed as new opportunities come on stream. A small amount of tactical external sales activity has been undertaken to take new and existing services to new markets. This is very promising and demonstrates that the company's low cost base and delivery heritage is a real asset to be maximised. To date the company has secured additional work in payroll, recruitment and CRB checking activity.
17. Hoople Ltd has been created to support the public services in Herefordshire. It is working in a competitive market place and much of the information within the company would be of significant interest to our competitors. Given the interest from the market in our unique configuration and service offer it is important that all stakeholders continue to constructively support the company's development.
18. In this spirit, the Board is discussing how best to communicate with and inform shareholders and it is proposed that, as part of this, an annual shareholders' report is produced.
19. There continues to be significant external interest in what Herefordshire is doing on shared services. For example, the Local Government Association is undertaking a national best practice project involving five shared services case studies, one of which is Hoople.

## **SHARED SERVICES SUPPORT TEAM**

20. Following the successful creation of the Joint Venture Company and an agreed direction for the remaining shared services, the Shared Services project team was wound down and the project formally closed on 31 October 2011. As part of the project closure process, the project handed over a number of tasks associated with the operational set up of the company and a number of 'business as usual tasks' have been handed over to the retained client for on-going management. Key aspects of the original programme are summarised below.

## **UPDATE ON WAVE 2 SHARED SERVICES**

21. Cabinet agreed in October 2010 to adopt a "multi-sourcing" approach for the in-scope shared services. The key focus was on the Joint Venture Company for delivering back office services across all partners, but other more effective delivery models were established for the remaining support services, under the banner WAVE 2.
22. The current position on 'Wave 2' services is listed below:
  - a. **Audit services:** The partners agreed to outsource their audit services through a joint

procurement exercise. KPMG were appointed as Strategic Partner in 1 April 2011 and this exercise has resulted in savings of which the Council has received £80k. Benefits realisation is being tracked through the Benefits Board

- b. **Legal services:** A 'Lead Provider/Commissioner' model was agreed, with Herefordshire Council as the lead service for the NHS partners. Implementation is almost complete, with initial service level agreements in place. Income and savings of £90k for the Council have been generated for 2011/12.
- c. **Transport:** a business case is being developed for a review of all aspects of transport in Herefordshire, including other public sector providers and community transport. Because of the strategic nature of this review it will be undertaken as part of the Root and branch Review Programme. Initial proposals are expected in the summer.
- d. **Asset Management and Property:** a specification for the full range of property and asset management related functions is nearing completion. Informal market testing will take place shortly to establish the market interest in these functions and how best to undertake the procurement for one or more external partners. In 2011/12 savings of £209k for the Council are estimated from staff reductions and accommodation rationalisation.
- e. **Emergency Planning:** This service transferred into Legal, Governance and Resilience service area on April 1st and is now part of a wider Resilience Unit, also covering risk management business continuity management and health and safety; services are provided to NHS partners and Hoople. In 2011/12 the Council achieved additional income of £100k through the provision of services to NHS partners.
- f. **Communications:** the Council is the lead provider for the communications service and has been working with the PCT, Wye Valley Trust and the Clinical Commissioning Group on key messages around the health and social care changes. A service level agreement with WVT for communication and web services is being discussed. Similar arrangements are being discussed with the CCG as part of the future commissioning support services offer. From which £69k savings are projected.
- g. **Corporate Transformation:** Corporate transformation services across the Council and the PCT have now been integrated; this team provides an ICT project management service to WVT. An option appraisal is now taking place to determine the appropriate delivery option for Corporate Transformation Services; one of the options is to transfer part of the function to Hoople. There are also discussions with WVT about the benefits of further integration of team engagement with service and organisational change.
- h. **Information Governance:** this is currently a shared service managed by the Council. This is an area where commitment to continuing to share expert knowledge of this area is key. The ongoing structure and responsibility for the service is being considered as part of the local Commissioning Support offer
- i. **Customer Services:** excellent progress has been made in developing the Customer Service Organisation across the Council and PCT, including the implementation of a new customer relationship management system, operational improvements to Info by Phone and the Info Shops and the development of the customer insight unit. A new website will be launched in July 2012. An initial list of joint projects has been agreed with WVT. An option appraisal will be undertaken as part of the Root and Branch Reviews to determine the best solution for the future delivery of customer services.

23. Options for the future delivery of shared support services will be reappraised as part of the

Root and Branch Review Programme.

## **FUTURE REPORTING ARRANGEMENTS ON SHARED SERVICES**

24. Reporting and performance monitoring of the shared services programme is as follows:
- **Shared Services Programme Wave 2:** The transitional aspects of implementing the Shared Services model is reported through the Corporate Transformation Team. The Council continues to manage its overall benefits via the Benefits Board, which includes the WAVE 2 work streams.
  - **Hoople Performance:** The operational and performance reporting aspects of Hoople Ltd are managed by the company's Board of Directors and through the partners' commissioning functions. The Managing Director meets with the Council's lead commissioner (Chief Officer - Finance and Commercial Services) six-weekly to review overall contract performance and service leads meet more frequently. Hoople performance against key indicators will be reported to Cabinet through the Integrated Corporate Performance Reporting process.
  - **Other Shared Services Performance:** The operational and performance reporting aspects of other support services outside of Hoople (audit, legal, communications etc) are undertaken through agreed service level agreement mechanisms, including regular client review meetings. Work to integrate and improve reporting will be led by Corporate Services during 2012, linked to the Root and Branch Review Programme.

## **Community Impact**

25. The implementation of Shared Services is delivering improved quality and more efficient and effective back office support to front line services across the three partner organisations; is releasing savings to deal with financial constraints and/or for reinvestment in front line services; and is protecting jobs and investment in the County in future. In particular, the preferred options provide an opportunity for the partners to provide those services to other public services providers in Herefordshire in line with the 'localities' agenda, maintaining and building on the strong sense of place that is characteristic of the county.

## **Financial Implications**

### **Review of the Business Case**

26. The shared services programme delivered £1.095m savings for all partners in 2010/11, the programme is on track to deliver further savings in 2011/12 and in the future.
27. The validity of the shared service programme was predicated on the original business appraisal model, building up costs and benefits over a ten year period. Through this approach it was recognised that a significant return on investment would be achieved for the partners.
28. In practice, the partners are monitoring the delivery of the benefits monthly and are focused on ensuring the immediate targets are delivered over the next three years, when the bulk of the benefits were expected. This approach allows a more realistic plan to be implemented, linked to the medium term financial planning process, with close attention being paid to slippage and timelines in delivery.
29. The table below summaries the benefits already delivered and the targets in place across Hoople, the Council and the partners since 1 April 2011. The Council have profiled these targets through their Medium Term Financial Strategy and delegated to the relevant budget

holders for delivery.

£'000		Delivered	Projected	Target	Target	Total
		2010/11	2011/12	2012/13	2013/14	
<b>Council</b>	Hoople	** 311	467	413	340	1,531
	Other	328	843	1,758	0	2,929
	<b>Total</b>	<b>639</b>	<b>1,310</b>	<b>2,171</b>	<b>340</b>	<b>4,460</b>
<b>Partners</b>	Hoople	0	152	25	0	177
	Other	456	626	285	129	1,496
	<b>Total</b>	<b>456</b>	<b>778</b>	<b>310</b>	<b>129</b>	<b>1,673</b>
<b>Total</b>	Hoople	311	619	438	340	1,708
	Other	784	1,469	2,043	129	4,425
	<b>Total</b>	<b>1,095</b>	<b>2,088</b>	<b>2,481</b>	<b>469</b>	<b>6,133</b>

**\*\* Note these savings were delivered from back office services, but pre Hoople set up**

30. Herefordshire Council has already realised substantial savings through the Shared Services programme. In addition to the £639k delivered in 2010/11, the Council expects to achieve a further £1,310k in 2011/12 via procurement, property, internal audit, legal, emergency planning and communications. £467k of this target will be delivered by Hoople. This is replicated in 2012/13 with a further target of £2,171k being set within the Medium Term Financial Strategy, excluding Hoople, the bulk of which will be delivered via Procurement.
31. Hoople benefits are on target to be delivered across all partners. Hoople Board have been assured that £619k has been achieved in 2011/12, with a further £438k for 2012/13 already identified from service budgets. £340k is required for 2013/14 and it is hoped this can be delivered by new business opportunities. Based on the partners SLA funding envelope, £619k savings for 2011-12 equates to a 5.5% saving.

## Legal Implications

32. It should be noted that Hoople Ltd is a separate legal entity and that the Council can influence decisions by the exercise of its shareholding at a company general meeting. Day to day decisions are taken by a board of directors, which includes shareholder nominees and the executive directors. The Council does send an observer to Board Meetings. The Company is able to undertake work for the Council without formal procurement because of the high level of legal control and the volume of work performed for the public shareholders. Future growth in the external customer base will need the control position to be reviewed as it occurs.

## Risk Management

33. Within the Council's Benefits Board a full risk analysis has been undertaken and is subject to weekly review. Each project has its own risk register. Hoople also has a separate risk register.

## Consultees

34. Consultations have been undertaken and will continue to take place during the Shared Service Review with Members, Directors, and Heads of Service, Service Managers, staff, Unions, non-executive directors and across our partners. A comprehensive communications strategy has been developed to support this on-going work.
35. Overview & Scrutiny views were sought when the plans for shared services were agreed in

October 2010.

36. All Political Groups received a presentation on the Shared Services programme at that time.

## **Appendices**

37. None

## **Background Papers**

28<sup>th</sup> July 2011 – Item 6 - “Shared Services – Update on Shared Services Programme” (Cabinet Report)