

MEETING:	CABINET
DATE:	18 DECEMBER 2009
TITLE OF REPORT:	INTERIM REPORT ON SHARED SERVICES
PORTFOLIO AREA:	CORPORATE & CUSTOMER SERVICES AND HUMAN RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To advise Cabinet of the progress of the two business transformation activities, namely Shared Services and Herefordshire Connects and proposed next steps.

Key Decision

This is not a Key Decision.

Recommendation

THAT Cabinet:

- a) Note progress made on Shared Services; and**
- b) Note that a further key decision report will be brought forward by the end of the financial year setting out options and timelines for the transition to shared services.**

Key Points Summary

This report outlines progress made since the previous report to Cabinet on 30 July.

- Actions taken to progress the recommendations of the Shared Services review include setting up a unified Programme Board bringing together the work of the Herefordshire Connects and Shared Services Programmes, conducting a soft market sounding and the setting up of a Centre of Excellence for Procurement.
- The report also sets out a number of next steps that need to take place. These include the need to build a multi-disciplinary, multi-skilled transition team that is drawn from all three partners. The team will focus on progressing the following:
 - Prepare for the procurement of a lead strategic partner for shared services. In order to secure the financial benefits as early as possible, specialist legal

advice is being sought in respect of innovative vehicles with the potential for shortening procurement lead times.

- Establish the Centre of Excellence for Procurement across the partnership
 - Conduct and support Business Process Improvement work across the in-scope services, including addressing legacy systems in HR, Finance and Payroll.
- This work will support the 'whole area' Total Place approach to the sustainability of public services in Herefordshire.

Alternative Options

- 1 Do nothing – This approach would prevent the partnership from realising any benefits identified in the Business Case. In order to achieve any savings it would be necessary to apportion cuts to budgets in an arbitrary way with the likelihood of serious negative impact on Service Performance.

Reasons for Recommendations

- 2 To ensure Cabinet are informed of progress.

Introduction and Background

- 3 The scope of this work is the implementation of a shared services strategy for the Council, NHS Herefordshire and Hereford Hospitals Trust (Herefordshire Shared Services Partnership, HSSP).

Key Considerations

Context

- 4 A number of key public service drivers underpin the Shared Services and Herefordshire Connects 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 and sustainability for Public Services in Herefordshire
 - iii. Consideration of 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.

Background

- 5 Since May 2009, with support from PA Consulting, Herefordshire Shared Services Partnership (HSSP) has been assessing the viability of sharing corporate support services across Herefordshire Council, NHS Herefordshire and Herefordshire Hospitals NHS Trust. The work of the Shared Services Review has resulted in a credible case in support of making the change.
- 6 The shared services study identified that in scope services consume 526 full time equivalent resources and £19 million per annum.

- 7 Transforming these services to a Shared Services environment could release between 104-140 FTE's, producing savings of between £3.4 to £5.4M recurring savings. Further potential savings of approximately £890K per annum have been identified by adopting a joined-up strategic approach to contract management and procurement;
- 8 Each of the in-scope services were assessed by current performance (Both financial and non financial) using a series of benchmarks and metrics. The gap to top-quartile performance was then calculated which represents the potential saving possible.

Current Position

SOFT MARKET SOUNDING

- 9 The soft market sounding was conducted during October 2009. The prime purpose was to understand the feasibility, capability, maturity and capacity of the supply market to act as a Strategic Partner(s) for HSSP. The exercise has yielded useful information, which is helping to shape the recommendation to be made to Cabinet.
- 10 The key conclusions from the soft market sounding are:
 - There is a healthy appetite amongst the supply market for the Strategic Partner Contract.
 - Potential suppliers expressed a willingness to provide any services that HSSP would want to place in scope
 - 75% of suppliers expressed a preference for increasing the scope of the Strategic Partner role, potentially to include a range of services such as customer services, estates and transport.

SELECTION OF A LEAD PARTNER FOR SHARED SERVICES

- 11 The work to date on Shared Services has shown that whilst there is agreement on the range of services that are in-scope there is also potential for further services to be included.
- 12 It is clear that a 'one-size fits all' approach for the in-scope services may not be possible.
- 13 A number of the in-scope services may need to be grouped together as 'service clusters'. Each service cluster would then be evaluated to assess which shared service model is optimal.
- 14 Models for each service cluster could include: outsourcing of services, building an internal shared service centre, setting up of joint ventures, setting up an asset based partnership amongst others.
- 15 A report will be presented to Cabinet in the last quarter of this financial year which will set out the options and the timescales for selecting a lead partner and the subsequent transition to shared services.
- 16 Specialist Legal and Procurement advice is being sought to ensure that all options are considered for vehicles to help procure a strategic partner. A number of innovative arrangements and ventures, which help to achieve this, are being developed at a regional and national level by other public sector organisations.

HEREFORDSHIRE CONNECTS

- 17 A key recommendation of the ratified business case was to create a unified governance board for shared services, Herefordshire Connects and ICT strategy work. This has now happened and has also led to a single unified Programme Board, called the Business Transformation Board
- 18 Savings that were to be delivered by the Herefordshire Connects Programme remain on track to be achieved. The savings are £700k for this financial year and for an additional £1m for 2010/11. The Business Transformation Board will assume responsibility in ensuring that all of the projected Herefordshire Connects savings are made over the next three financial years.
- 19 The Connects Programme has also successfully completed the new integrated solution for Environment and Regeneration (APP from Civica). The new system was made operational on 28th September 2009 and the project was completed to time and within budget. In addition, the programme has implemented a new system for Performance Management (Performance Plus). The Cabinet Performance Report (formerly the Integrated Corporate Performance Report) is being produced using the new system. All service plans across the Council will be in Performance Plus by the end of the year.

NEW TRANSITION TEAM

- 20 A new transition team will be set up under the governance of the Business Transformation Board. This team will combine members of the Shared Services and Herefordshire Connects Team, together with colleagues from NHS Herefordshire and Hereford Hospital Trust.
- 21 In addition, a number of 'subject matter experts' will join the team. These experts will cover areas such as legal advice, procurement and technology advice.
- 22 The transition team will progress much of the work alluded to in this report.

PROCUREMENT CENTRE OF EXCELLENCE

- 23 The setting up of a HPSS Procurement Centre of Excellence was a key recommendation of the approved Shared Services business case, and is being progressed in advance of the move to shared services. A new Commercial Manager is in the process of being appointed, and the Business Transformation Board has agreed terms of reference for the new Procurement Centre of Excellence, which will:
- a. Manage procurement policy and compliance and develop best practice across HPSS;
 - b. Develop efficient and value for money sourcing of goods (category management), services and capital works;
 - c. Improve supplier relationship management;
 - d. Provide assisted buying to support integrated commissioning functions and the broader requisitioner community; and
 - e. Set up a procurement helpdesk to provide support across HPSS.

BUSINESS PROCESS IMPROVEMENT WORK

- 24 The transition team with external input will also commence business process improvement work, particularly in the areas of Human Resources, and Legal and Democratic Services. This work is seen as vital in helping to achieve overall efficiency savings.

COMMUNICATION WITH STAFF

- 25 A stakeholder and communications management plan has been developed. This activity has been stepped-up across all key stakeholder groups and includes:
- i. *Staff* – regular staff briefings, updates in Team Talk and First Press and a full website. The website, accessible to staff in all three organisations, explains the principles behind the shared services programme, as well as the timescales, news updates, frequently asked questions and provides an opportunity for staff to raise ideas or comments or even check any rumours they may have heard, with the programme team. The Interim Deputy Chief Executive has commenced a number of lunchtime sessions to promote dialogue with Council and NHS Herefordshire staff, with HHT undertaking their own arrangements.
 - ii. *Trade Unions* – In conjunction with updates through the Joint Consultative Forum (JCF) and Staff Partnership Board, briefings have already been held, with further briefings scheduled.
 - iii. *Members, Non-Executive Directors* – Updates through members' newsletter, political group briefings, briefings to board members, and Service Updates.
- 26 There are a number of key dependencies for the Shared Services programme, including; Herefordshire Connects, the Property Strategy, World Class Commissioning and the Comprehensive Area Assessment.

Community Impact

- 27 N/A.

Financial Implications

- 28 The financial climate in local government is predicted to decline over coming years, with minimal increases in government funding, alongside ever increasing efficiencies demands. This proposal is likely to facilitate a business transformation process for public services in Herefordshire, streamlining back office services and improving procurement processes, from which significant efficiencies should be delivered. This report does not make proposals for additional expenditure. Detailed financial analysis of the business case assumptions is being undertaken to inform the next report to Cabinet, ensuring the project remains robust and it continues to demonstrate delivery of value for money.
- 29 The costs of establishing both the Procurement Centre of Excellence and the Transition Team are being met from existing staff resources.

Legal Implications

- 30 None at this stage.

Risk Management

- 31 A full risk analysis has been undertaken and is subject to regular review. Current risks and mitigations include:
- a. *Programme Governance* - Strong leadership and sponsorship from the JMT, Hereford Hospitals Trust and the Programme Board will ensure that there is

effective governance for the programme. New arrangements have been identified for the next stage of the programme.

- b. Lack of alignment between this work and other major initiatives. The integration of the key transformation programmes with a single governing board has been progressed.
- c. Risk of the review having a negative impact on staff morale. This is being mitigated by a comprehensive communication strategy recognising the needs of staff and Trade Unions.
- d. Return on Investment (risk that the business case does not justify the investment). This is being mitigated by the regular review of the business case to test that it is viable.
- e. Outcome of Commissioner/Provider review (within Health) could impact on the 'critical mass' for shared services. This will be kept under regular review as part of governance processes and any risks can be mitigated through the commissioning process.

Consultees

- 32 Consultations have commenced and will continue to take place during the Shared Service Review with members, directors, heads of service, service managers, staff, non-executive directors (Health), Trade Unions and partners.

Appendices

None

Background Papers

None