

AGENDA

Cabinet

Date: **Thursday 18 February 2010**

Time: **2.00 pm**

Place: **THE COUNCIL CHAMBER, BROCKINGTON, 35
HAFOD ROAD, HEREFORD**

Notes: Please note the **time, date** and **venue** of the meeting.

For any further information please contact:

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Agenda for the Meeting of the Cabinet

Membership

Chairman Councillor RJ Phillips

Councillor LO Barnett
Councillor AJM Blackshaw
Councillor H Bramer
Councillor JP French
Councillor JA Hyde
Councillor JG Jarvis
Councillor PD Price
Councillor DB Wilcox

GUIDANCE ON DECLARING PERSONAL AND PREJUDICIAL INTERESTS AT MEETINGS

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A personal interest is an interest that affects the Councillor more than most other people in the area. People in the area include those who live, work or have property in the area of the Council. Councillors will also have a personal interest if their partner, relative or a close friend, or an organisation that they or the member works for, is affected more than other people in the area. If they do have a personal interest, they must declare it but can stay and take part and vote in the meeting.

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AGENDA

	Pages
1. APOLOGIES FOR ABSENCE To receive any apologies for absence.	
2. DECLARATIONS OF INTEREST To receive any declarations of interest by Members in respect of items on the Agenda.	
3. MINUTES To approve and sign the minutes of the meeting held on 21 January 2010.	1 - 8
4. SUSTAINABLE COMMUNITY STRATEGY - REFRESH To approve the refresh of Herefordshire's Sustainable Community Strategy for recommendation to Council.	9 - 54
5. SHARED SERVICES STRATEGY To receive the Shared Services Strategy and agree the next steps of the programme.	55 - 268
6. INTEGRATED CORPORATE PERFORMANCE REPORT To report performance for the period April-December 2009-10 against the Council's key indicators and associated projects and programmes in its Annual Operating Statement 2009-10.	269 - 318
7. BUDGET MONITORING REPORT 2009/10 To report December's budget monitoring information and provide an indication of estimated outturn for both revenue and capital to 31 March 2010. This includes approval of virements set out in Appendix A which are required to fund service deficits. The report also focuses on treasury management activities in the first nine months of 2009/10.	319 - 352

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HEREFORDSHIRE COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Cabinet held at THE COUNCIL CHAMBER, BROCKINGTON, 35 HAFOD ROAD, HEREFORD on Thursday 21 January 2010 at 2.00 pm

Present: Councillor RJ Phillips (Chairman)

Councillors: LO Barnett, AJM Blackshaw, H Bramer, JP French, JA Hyde, JG Jarvis, PD Price and DB Wilcox

In attendance: Councillors WLS Bowen, GFM Dawe, PJ Edwards, TM James and WU Attfield

14. APOLOGIES FOR ABSENCE

Apologies were received from Councillor RI Matthews, Herefordshire Independents Group Leader.

15. DECLARATIONS OF INTEREST

There were none.

16. MINUTES

RESOLVED THAT :

- (a) That the Minutes of the meeting held on 18 December 2009 be approved as a correct record and signed by the Chairman.
- (b) That the Minutes of the meeting held on 7 January 2010 be approved as a correct record and signed by the Chairman subject to the following amendment:

Paragraph 4 of item 13 to be amended to read; 'Assurance was sought and given that in dealing with the ongoing risk management exercise officers would look at the possibility of 'laying off risk' surrounding the liability outlined on page two paragraph d) of the report, particularly in relation to events/triggers outside of the control of the two Councils'.

17. ANNUAL AUDIT AND INSPECTION LETTER

The District Auditor was invited to address the Cabinet and present a summary of the key points raised within the Audit Commission's Annual Audit and Inspection Letter for 2009. Cabinet was advised:

- that detailed reports on specific audits carried out during the year had been presented to the relevant Committees.
- that for completeness, the Annual Audit and Inspection Letter for 2009 also provided a summary of the Comprehensive Area Assessment Lead's review of how well public services were delivering results for local people.

- that there had been much progress in the previous year and that this improvement within the authority was recognised, however time was required to see demonstrable results as a result of changes implemented.
- of the positive view held of the authority's response to the District Auditor's report on planning services and the comprehensive approach taken to address the report's recommendations through changes to the constitution, structures and delegation processes.
- that the authority was progressing recommendations relating to procurement and the partnership arrangements with Amey well. Recognition was also given to the work being undertaken on Shared Services and in delivering value for money in Older Person services (a review of which was planned for early 2010).
- that the authority's waste disposal programme had made only limited progress in meeting national targets and therefore had consequential cost implications. Whilst recognising the increase in the amount of recycling and the reduction in waste to landfill, waste remained an area of risk for the authority.
- the Use of Resources assessment was broader and more demanding than in previous years and that against the new criteria the authority was assessed as performing adequately. The District Auditor emphasised that the Council had continued to make progress and that the reduction in score from 3 to 2 was in line with Councils nationally.
- that Appendix 1 of the report listed the four recommendations which the Audit Commission had identified as requiring action.

The District Auditor thanked Members and Officers for the support provided during the year and encouraged the authority to continue to improve.

In discussion Cabinet:

- Welcomed the positive comments in relation to the planning service and advised the District Auditor that reviews of the new arrangements would be undertaken (a review of planning applications over the initial three months and a wider review within six months) and that copies of the findings would be sent to the District Auditor. It was acknowledged that the new processes would require time to bed in. The District Auditor confirmed that a formal follow up review would be carried out, welcomed the authority's planned review and appreciated that time was required for the new planning system to bed in.
- Stated that significant movement was taking place in relation to the future of waste disposal which was linked to discussions with partners (through the planned development of an Energy from Waste Plant at Hartlebury Trading Estate near Kidderminster), and that the associated risks were acknowledged and monitored. The level of recycling in the county was now averaging 300 tonnes per week (prior to the wheelie bin collection the average was 93 tonnes). In acknowledging the recommendation within the Annual Audit Letter's Action Plan relating to waste management, Cabinet emphasised the partnership arrangements in place with Worcestershire (Herefordshire being the equivalent of 25%). In response, the District Auditor acknowledged the partnership arrangements in place but expressed a note of caution as the proposed development relied fundamentally on gaining planning permission. Work would be carried out by the District Auditor across both Herefordshire and Worcestershire councils in relation to issues around such PFIs.

- Was assured that work had been undertaken to address concerns raised in paragraph 19 (of the Audit Letter) that reports needed to be improved.
- Raised concerns that the key messages in the Annual Audit Letter could be confusing to the public since there had been a drop in the authority's overall score whilst at the same time being recognised for achieving process and improvements. The District Auditor confirmed that the Council had continued to make progress and to improve on areas of previous assessment. However, she stressed that new broader and demanding criteria had been developed for the 2008/09 assessment.
- Responding to a question relating to the authority's high CO2 emissions due to a reliance on cars and limited public transport, the District Auditor stated that environmental and sustainability issues had been added as a theme to the assessment criteria. Whilst it was not for the Audit Commission to set targets their assessment would measure against the Council's agreed targets and would report on progress.
- The key messages from the Annual Audit Letter were welcomed and would be used as encouragement for the continued progression of the organisation.

RESOLVED THAT:

Cabinet note the Audit Commission's Annual Audit and Inspection Letter for 2009.

18. MEDIUM TERM FINANCIAL STRATEGY

The Chairman of Overview and Scrutiny Committee (OSC) was invited to present to Cabinet the comments of the OSC on the Medium Term Financial Strategy, as follows. The OSC:

- Noted the 4% increase in funding for 2010-2011 (the third and final year of the Comprehensive Spending Review 2007) and the probability that funding in subsequent years would be substantially cut year on year.
- Noted that the development of the budget was ongoing, but expressed concern over the projected level of Council Tax at 2.9% (given the government's expectation that Council Tax increase should be 'substantially' below 3%) and how such a proposed increase of 2.9% would be greeted by the public.
- Noted the potential pressure on the superannuation fund.
- Noted the joint work being developed regarding the tracking of savings.
- Following a review of the Capital Programme, the OSC requested that the text of the Medium Term Financial Strategy be adjusted to make clear the major schemes it is proposed to complete within three years.

The Chairman of Cabinet and the Cabinet Member for Resources set the context for the discussion which followed:

- Whilst acknowledging receipt of a 4% increase in the Formula Grant (equating to £2.2 million) it was recognised that the financial picture would change post election and on the publication of the future settlements; currently there were no formal indications for the next three years. This being the case it was necessary to have flexibility over both revenue and capital budgets to adapt to the changes

in the funding environment. It was stated that the settlement received, whilst being consistent with the projection, did not take account of loss in income to the authority.

- Two issues which would add significant pressures to the budget were highlighted as; (i) the implementation of free home care for those of critical need, of which 37% of the cost (currently estimated at £650 million) would be expected to be met by local government; and (ii) highways maintenance to address the considerable damage to the infrastructure as a direct result of the severe winter weather. Both issues required to be addressed by government and the financial impact of both issues was currently hard to gauge. Local Government was collectively lobbying government in relation to free home care, as whilst this may be a laudable aspiration the current financial realities could not sustain such a provision, especially as no base figures existed for those eligible for support. The Chairman advised Cabinet that he had written to the Minister requesting the enactment of the Belwin formula to meet costs of repairs associated with the severe winter weather, which, following an initial survey was currently estimated at £5.5million. Assurance was given that the county had appropriate stock levels of salt and grit but that reserves had been used to cover the budget overspend.
- The Chairman requested that Cabinet was cautions in their actions and delegate the revision of figures in light of additional information (the failure to do so would not be good governance).
- Within the county there had been an increase in demand for services and a reduction in income.
- Herefordshire had progressively reduced the council tax from 3.9% in 2009/10 to a proposed 2.9% for 2010/11. It was emphasised that it was the responsibility for local authorities to set a council tax level which delivered services and value for money.

The Director of Resources emphasised that:

- the key issue in relation to the draft financial strategy for 2010/13 was the high level of uncertainty of the future financial environment for the public sector.
- A reasonable estimation of -5% decrease in settlement year on year had been made for the next three years, however there was potential for a deeper impact and that there would be difficult times ahead.
- The proposed balanced budget had been considered and approved for recommendation by the Joint Management Team and incorporated inflation, service pressures and other spending requirements, service efficiencies, a proposed council tax of 2.9% as well as the Formula Grant.
- The proposed level for council tax of 2.9% would be the lowest set by Herefordshire Council, however it was probable that there would be pressure to further reduce the level in future years.
- That he would continue to advise Cabinet of any possibilities relating to the capping of council tax.

Cabinet made the following comments in respect of this item:

- That it was pleasing to note that the value of the superannuation fund was increasing and acknowledged that the resetting of contributions would be considered.
- Recognised that there had been a significant impact on the authority's income and charging.
- Reinforced the principle that savings would be sought through organisational efficiencies and streamlining prior to any impact on front line services.
- That prior to March work be carried out to:
 -
 - (i) Assess the impact of the severe winter weather to the 2000 mile road network, ditches and drainage.
 - (ii) estimate the number of potential service users eligible for free home care for those of critical need; this figure would need to take account of those currently self funding their home care
- In considering the repair to the road infrastructure the need to balance cost and risk of damage as a result of potholes.

RESOLVED THAT Cabinet:

- a) **agree the Medium Term Financial Strategy (MTFS) shown in Appendix A, which includes both the revenue overview summarised in the Finance Resource Model (FRM) and subject to adjustments needed to deal with the recent or unexpected budget pressures;**
- b) **In principle agree a proposed council tax increase of 2.9% subject to finalising MTFS; and**
- c) **agree that the Leader, in consultation with the Director of Resources, finalise budget proposals, MTFS and council tax proposals for recommendation to Council.**

19. COUNCIL AND NHS HEREFORDSHIRE JOINT CORPORATE PLAN

The Corporate Policy and Research Manager presented the report on the draft Joint Corporate Plan which was proposed for the Council and NHS Herefordshire. This draft Joint Corporate Plan (Appendix 1 to the report) comprised the vision, objectives and long term outcomes for the close partnership to achieve over the period 2010-2013 within the context of the proposed Medium Term Financial Strategy (considered as item 5 of the agenda). To support the Executive in ensuring the implementation of the Joint Corporate Plan, Appendix 2 to the report outlined the performance indicators and associated targets together with key projects and milestones which would be used to achieve this and provide the basis for strategic performance management. Cabinet was advised that the Joint Corporate Plan had been prepared so as to be affordable within the cautious assumptions about future funding in the Medium Term Financial Strategy but it was nonetheless recognised that it could be necessary to review the Joint Corporate Plan were the financial environment to change significantly in the future.

The Chairman of Overview and Scrutiny was invited to present to Cabinet the comments of the OSC on the Joint Corporate Plan, as follows. The OSC:

- Welcomed the new format of the Joint Corporate Plan and its close links with Performance Plus.
- While acknowledging that Appendix 2 was work in progress for the Executive to complete, emphasised the importance of ensuring that targets were realistic and achievable and that resources were in place to deliver them, noting for example the concern expressed over the resourcing of climate change work.
- That consideration be given to the specific points relating to long term outcome 1.3, 1.4, 6.1 and 6.2 (as follows):
 - (i) That a better basis for measuring the delivery of long term outcome 1.3 *'more and higher spending visitors to the county'* would be the STEAM report;
 - (ii) The targets for the processing of planning applications against long-term outcome 1.4 *'improved quality and availability of business accommodation and employment land'* did not contain any basis for measuring the quality of decisions, although it was accepted that this could be difficult to devise;
 - (iii) The targets for recycling waste at 6.1 of the Plan should be made more ambitious
 - (iv) That the key project of producing planning policy documentation did not seem sufficient in itself in relation to delivering the targets for long term objective 6.2 *'reduced CO2 emissions and successful adaptation to unavoidable impacts of climate change'*.

In discussion Cabinet:

- Formally recognised and praised the achievement of the report in bringing together the objectives, vision and long term outcomes for both organisations in a clear (colour versions were commended) and SMART approach. Such an approach embraced the ethos of Total Place and would form the basis of articulating that both organisations were working together to meet the needs of Herefordshire's residents.
- Stated that as the Plan became embedded the processes and performance would be easier to monitor.
- Whilst acknowledging that more work was necessary to refine the details in Appendix 2 Joint Corporate Plan and the strategic performance management documentation would provide a framework for members' focus.
- Measurement for 1.3 could also involve the contribution to GDP and GVA.
- There was a need to increase the average wage within the county. Since a significant proportion of employment was in tourism and agriculture, two sectors which were characterised by low wages, it would be important to do all that was possible to secure the expansion of manufacturing and technical industries
- Reducing CO2 emissions was at the heart of asset management plan.
- Thanked the OSC for their comments which would be considered in the further development of Appendix 2.

RESOLVED THAT:

Cabinet recommends to Council the approval of the Council and NHS Herefordshire Joint Corporate Plan vision, objectives and long term outcomes as set out at Appendix 1 of the report.

20. AMALGAMATION OF LEOMINSTER INFANT & JUNIOR SCHOOLS

The Assistant Director, Planning, Performance and Development and the Head of Access and Capital Commissioning jointly presented the report on statutory consultation undertaken for the amalgamation of Leominster Infant and Junior Schools from September 2012, as proposed in the Council's Primary Strategy for Change.

The proposal for amalgamation has the support of the governing bodies of both schools and wider consultees and further consultation with stakeholders supported the view that Herefordshire Council should ask the Secretary of State for an exemption from competition to enable the new school to be run as a local authority Community School. An alternative considered in the consultation process was for a formal closure of one school and extending the age range of the other; however the favoured option was to open a brand new school.

The Government presumes that all new schools should be subject to the competition process; however it is indicated that an exception to competition would be given if the new school was created by a straightforward amalgamation, the approval of the Secretary of State would be sought on this; this view was additionally supported by the fact that the standard of current schools were judged as good by OFSTED and that there was already a good diversity of schools in the Leominster schools' cluster.

In discussion Cabinet

- Welcomed the proposal for a new primary school in Leominster and that this would be the last of the county's primary age schools to be split.
- Recognised that Leominster was a growing town and that it was important to build in capacity into the new school; the Local Development Framework would additionally take account of this issue.
- Acknowledged the local member briefings held on this matter.

RESOLVED THAT Cabinet:

- (a) agrees to continue the statutory process for the amalgamation of Leominster Infant and Leominster Junior Schools to form a new primary school with 630 places for children aged 4 to 11 and 26 full time equivalent places for 3 year olds;**
- (b) agrees to seek the approval of the Secretary of State to establish the new primary school as a Community (Local Authority run) school, and;**
- (c) agrees to the publication of the required statutory notices, as necessary.**

The meeting ended at 3.20 pm

CHAIRMAN



MEETING:	CABINET
DATE:	18 FEBRUARY 2010
TITLE OF REPORT:	SUSTAINABLE COMMUNITY STRATEGY (REFRESH)
PORTFOLIO AREA:	CORPORATE STRATEGY & FINANCE

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To approve the refresh of Herefordshire's Sustainable Community Strategy for recommendation to Council.

Key Decision

This is not a key decision.

Recommendation

THAT Cabinet:

- a) agrees the draft Sustainable Community Strategy, subject to amendments reflecting the views of Overview & Scrutiny Committee; and
- b) agrees that the Leader, in consultation with the Chief Executive, finalise the draft for recommendation to Council.

Key Points Summary

- The Herefordshire Sustainable Community Strategy is a key long-term planning document for improving the quality of life and services in Herefordshire and forms part of the Council's Budget & Policy Framework.
- Every Local Authority is required to have a Sustainable Community Strategy which has been developed and agreed with its Local Strategic Partnership. Herefordshire Partnership is the Local Strategic Partnership for Herefordshire, representing local public services, businesses, and voluntary and community sector organisations.
- The current strategy covers the period up to March 2010 and is now due to be refreshed in light of achievements to date and new challenges that Herefordshire is currently facing.

Further information on the subject of this report is available from Julie Gethin, Head of Partnership Support on (01432) 260610

- The Herefordshire Partnership Board agreed at its meeting on 8 February 2010 to undertake a substantial review of the Strategy during the coming year so that the priorities for the County are framed around place rather than the current strategic themes. As such, it is proposed that the refreshed document will have a life of one year from April 2010.

Alternative Options

- 1 There are no Alternative Options; every Local Authority is required to produce a Sustainable Community Strategy agreed by its Local Strategic Partnership.

Reasons for Recommendations

- 2 To ensure the Sustainable Community Strategy is refreshed and the priorities identified for 2010-2013 are approved.

Introduction and Background

- 3 The original Community Strategy for Herefordshire was formulated and adopted four years ago. The priorities of the refreshed Herefordshire Sustainable Community Strategy need to be incorporated into organisational plans and activities in order to achieve Herefordshire's Vision – "Herefordshire will be a place where people, organisations and businesses working together within an outstanding natural environment will bring about sustainable prosperity and well being for all".
- 4 The Herefordshire Sustainable Community Strategy sets the overall strategic direction and long-term vision for the economic, social and environmental wellbeing of Herefordshire in a way that contributes to sustainable development. It sets Herefordshire in context and offers the distinctive vision and ambition of the area, backed by clear evidence and analysis (for example the State of Herefordshire Report).
- 5 The 2000 Local Government Act charged local authorities with preparing a local Community Strategy with their partners through a Local Strategic Partnership, and Herefordshire's first version was known as the Herefordshire Plan. The Community Strategy for Herefordshire was subsequently published in 2006 and in recognition of the importance of sustainability, has been renamed the Herefordshire Sustainable Community Strategy.
- 6 The Strategy published in 2006 highlighted a number of key local issues which led to the formulation of desired outcomes for the County. These were identified as a result of a comprehensive consultation process undertaken during 2005. The Herefordshire Sustainable Community Strategy has been developed from the last Community Strategy and refreshed by looking at the wealth of information gathered since 2005, detailed in background papers, and through consultation with partners and the community.

Key Considerations

- 7 Taking into account the County's key characteristics and all other sources of information a draft list of priorities for Herefordshire has emerged. These are grouped under the following six priority themes:
 - Children and Young People

- Economic Development and Enterprise
- Environment
- Healthier Communities and Older People
- Safer Communities
- Stronger Communities

8 During the process of refreshing the Herefordshire Sustainable Community Strategy three guiding principles for partnership working emerged. These will be embedded into the way Herefordshire Partnership works to ensure a co-ordinated long term approach is taken to delivering the priorities of the six themes. The guiding principles are:

Everyone is Someone

- Value everyone's contribution
- Challenge prejudice and discrimination
- Support people and promote an equitable County

Safeguard our Future

- Value our environment and the future of our young people enough to act now
- Think creatively about the bigger picture, and assess how issues will affect us, the resources and the assets at our disposal
- Develop solutions that build sustainability into our economy, our communities, our cultural life and in the infrastructure and natural environment on which we all depend

Work across Boundaries

- Think, plan, act and share responsibility
- Seek solutions which have mutually positive benefits
- Make new alliances and look beyond the obvious

9 The strategy highlights the key issues and challenges facing the place of Herefordshire and its communities and articulates the County's ambition to achieve better outcomes for people who live and work in the area. The strategy also talks about people and place, setting out the intention to improve the approach to locality working and the way this will inform and shape partnership priorities and ways of working in the future. Herefordshire Partnership, in recognition of the need to move towards a focus of place rather than thematic strategic priorities, agreed at its meeting in February 2010 that a fundamental review of the Strategy should be undertaken during 2010 with the intention of preparing a revised document for consultation later this year.

10 An important principle in delivering services across Herefordshire is that they should meet the needs of the local community, with people being able to access services in a flexible way, not determined by where they live. The strategy captures the context of the Government's Total Place agenda and recognises there are opportunities to improve access to services and service delivery by agreeing a common approach to localities in Herefordshire. This approach will be further developed over the coming months; ensuring that those living and working in Herefordshire have equality of access to services, brought about by increasingly delivering services on a locality basis in a way that fully benefits the local community.

11 Delivery of the Sustainable Community Strategy over the short to medium term is articulated through the County's Local Area Agreement. The current agreement

covers the period 2008-2011 and is refreshed on an annual basis. As part of this year's refresh every area has been offered the opportunity to request amendments to those targets affected by the current economic downturn. As such, Herefordshire Partnership has requested that two of its 30 targets be revised – NI 155 (number of affordable homes delivered) and NI152 (number of working age people on out of work benefits). The process of refresh will be concluded over the next month with Government Office West Midlands at which point the Leader will formally sign off the updated document.

11 The Herefordshire Sustainable Community Strategy will be delivered through many organisations, networks, sectors and groups working together as part of Herefordshire Partnership's three tier structure:

- Herefordshire Partnership Board - sets the vision for Herefordshire based on a sound understanding of the County, local issues and a responsibility to ensure delivery of efficient, high quality services.
- Herefordshire Partnership Management Group – responsible for delivering the Herefordshire Sustainable Community Strategy by ensuring resources are utilised to address the identified priorities.
- Herefordshire Partnership Policy and Delivery Groups – six groups (one for each of the six themes) who formulate and commission work to address the priorities in the Herefordshire Sustainable Community Strategy, based on comprehensive information of local need. They report progress on their work to the Management Group.

Community Impact

12 The vision and priorities of the Herefordshire Sustainable Community Strategy aim to improve the quality of life and service delivery in all areas of the County. Community engagement is at the heart of the work of Herefordshire Partnership in informing these priorities and driving service improvement in the locality.

Financial Implications

13 None. Priorities identified will be delivered from within existing sources of funding.

Legal Implications

14 None.

Risk Management

15 Delivery of the priorities within the Herefordshire Sustainable Community Strategy through the Herefordshire Partnership will be a key area of assessment for the Comprehensive Area Assessment and as such forms part of the corporate performance management system. The risks associated with delivery of the priorities detailed in the strategy will be managed through the individual performance and delivery groups of the Herefordshire Partnership.

Consultees

16 The six Policy and Delivery Groups have been consulted and wider input through

their networks has been encouraged. Their comments are reflected in the current draft.

17 The draft strategy was considered by Overview and Scrutiny Committee on 8 February. The Committee resolved, noting that the document needed further editing and that they had made a number of detailed comments in this regard, that Cabinet be recommended to consider the following principal observations:

- The need for the Strategy to emphasise the importance of service delivery and of partners being responsive to issues of local concern and accountable for their actions.
- The need for the Strategy to address the problem faced by parts of the community where the population was ageing, there was no affordable housing, and no house building, meaning it was difficult for young people to live in those communities.
- The need for the Strategy to reflect more strongly the critical importance of affordable housing for local people recognising the vital role housing played in health, education, safety and family life.
- The need for the Strategy to emphasise the importance of continuing to strive to maintain and improve educational standards.
- That a simplified document should be prepared to reduce production costs, confining use of colour, for example, to the front cover.

Appendices

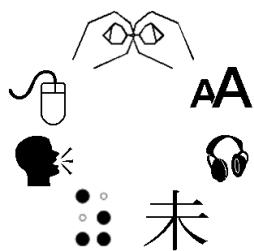
Appendix A Draft Sustainable Community Strategy.

Background Papers

- The State of Herefordshire Report
- Local Development Framework
- The Herefordshire Quality of Life Survey

The Herefordshire Sustainable Community Strategy 2010 - 2013

Text only, images to be added when text is finalised



If you would like help to understand this document, or would like it in another format or language, please telephone Herefordshire Partnership Support Team 01432 261792 or e-mail hfdpartnership@herefordshire.gov.uk.

Draft for comments

The Herefordshire Sustainable Community Strategy

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Published 2010

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Draft for comments

Foreword

It is five years since the original Community Strategy for Herefordshire was formulated and adopted. To achieve Herefordshire's Vision for 2020 our refreshed strategy reflects and encompasses the changing conditions and circumstances facing Herefordshire.

Our recent Comprehensive Area Assessment concludes that Herefordshire people enjoy relatively low unemployment, good health and education standards. It also reports how well local public services are tackling the major issues in the County and indicated that 87% of people are satisfied with their immediate local area as a place to live.

We realise that the full impact of the current economic downturn and climate change are still to be felt and will undoubtedly challenge us all. This refresh of the Strategy emphasises the importance of sustainability, hence the inclusion in the title.

The three basic elements of people, place and action remain at the heart of the Strategy. Our move towards a focus on locality and recent initiatives such as the Hearts of Herefordshire are helping us to weave the social, environmental and economic strands through the Strategy in a way that binds it all together and will make a difference to our communities.

This Strategy reflects and brings together the organisational priorities of all of our partners – the partnership priorities are incorporated into individual organisation's plans – reflecting Herefordshire's ambitions as a place and recognising the importance of locality and what it means for our communities.

Our emerging engagement strategy reflects that at the heart of our ambition and in order to realise our vision, is the involvement of the people of Herefordshire. They are our key drivers for change for delivering improved services that better meet their needs and taking Herefordshire forward into the next Century.

Councillor Roger Phillips
Chair
Herefordshire Partnership Board

Draft for comments

Our vision, priorities and guiding principles

By 2020:

Herefordshire will be a place where people, organisations and businesses working together within an outstanding natural environment will bring about sustainable prosperity and well being for all

Our priority themes for action:

- Children and young people
- Economic development and enterprise
- Environment
- Healthier communities and older people
- Safer communities
- Stronger communities

Our guiding principles for partnership working:

During the process of refreshing the Herefordshire Sustainable Community Strategy three guiding principles emerged which will underpin everything we do. We will strive to incorporate these into the way we work. This will ensure we take a co-ordinated, long term approach to plans and services which impact on local people, the environment and the economy.

1. Everyone is Someone

- Value everyone's contribution
- Challenge prejudice and discrimination
- Support people and promote an equitable County

2. Safeguard our Future

- Value our environment and the future of our young people enough to act now
- Think creatively about the bigger picture, and assess how issues will affect us, the resources and the assets at our disposal
- Develop solutions that build sustainability into our economy, our communities, our cultural life and in the infrastructure and natural environment on which we all depend

3. Work across Boundaries

- Think, plan, act and share responsibility
- Seek solutions which have mutually positive benefits
- Make new alliances and look beyond the obvious

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About Herefordshire

Introduction

This strategy is designed to highlight the key issues and challenges facing the place of Herefordshire and its communities and our ambition to achieve better outcomes over the next 3 years. The key local issues are drawn out from the State of Herefordshire Report and the thematic strategies underpinning delivery against our priorities. It also sets out our intention to improve our approach to locality working and the way this will inform and shape partnership priorities and ways of working in the future.

Key Characteristics of the County of Herefordshire

Herefordshire has a great deal to offer those who live here, work or visit, including a rich heritage, a beautiful natural environment and a wide range of cultural and leisure opportunities. Herefordshire is ambitious for its employment sector, and the education of young people is of a high standard. It is a safe place to live and work, with low levels of crime. There are, however, challenges for the county that are identified within this strategy.

Herefordshire and its Distinctive Environment

Herefordshire is a predominantly rural country of 842 square miles situated in the south west corner of the West Midlands region bordering Wales. The city of Hereford is the major location in the County for employment, health services, education facilities and shopping. The five market towns of Leominster, Ross-on-Wye, Ledbury, Bromyard and Kington are the other principal centres. The rural nature of the area often creates a barrier to providing equal services to all, and businesses find the infrastructure in the county a challenge. It's widely dispersed and often sparsely populated communities need support if they are to have a sustainable and successful future.

Herefordshire has beautiful unspoilt countryside, distinctive heritage, remote valleys and rivers, including the River Wye which flows east through Hereford City, the Malvern Hills on the border with Worcestershire and the Black Mountains in the south west. Parts of two Areas of Outstanding Natural Beauty (AONBs) fall into Herefordshire, covering the Malvern Hills and the lower section of the Wye Valley. Parts of the rivers Wye and Lugg are Sites of Special Scientific Interest (SSSIs) and Special Areas of Conservation (SAC).

Herefordshire has limited access to the motorway network via the M50, which starts near Ross-on Wye and joins the M5 north of Tewkesbury in Gloucestershire. The other main road links, include the A49 running north to south, the A465 north-east to south-west, and the A4103 east to west, all of which pass through Hereford City.

Within Herefordshire, Hereford, Ledbury, Leominster and Colwall have railway stations, connected by two lines: the Cardiff – Manchester line passes through Hereford and Leominster, while the line from Hereford to Birmingham, passing through Ledbury and Colwall, is single track for much of the journey. This line has a direct link to London.

The nearest major international airport is at Birmingham, about 60 miles (99 km) from Hereford. Herefordshire has no ports; deep water facilities are available at Newport docks, or the Bristol Channel, about 35 miles (56 km) from Hereford.

The Country has the 4th lowest population density in England (0.9 persons per hectare). A particular challenge for service delivery is how scattered the population is. A quarter of the population live in areas which are defined as 'very sparse' and over half (54%) of the County's residents live in areas defined as 'rural'. About one-third of the population lives in Hereford City, a little more than a fifth in the market towns and almost half elsewhere.

Provision of services to all members of the community is a particular challenge in sparsely populated rural areas and a robust multi-agency approach is needed if these difficulties are to be overcome. The developing public services arrangements, which bring together key areas of planning, commissioning and delivery under one Chief Executive for Herefordshire Council and the Primary Care Trust present a unique opportunity for partnership working that will bring immense benefit to the local community.

Herefordshire's resident population grew by 2% between 2001 and 2007 to 179,300. This was due entirely to net in-migration. Nearly a quarter (24%) of Herefordshire's population is of state retirement age. Numbers of older people have grown more rapidly than nationally and the growth is expected to continue. In particular the number of people aged 85+ is expected to more than double from 5,000 in 2007 to 10,200 in 2026. One of the main challenges faced in supporting those growing older in Herefordshire is how to help people to live safely and independently in their own homes. Many older and disabled people are supported by informal carers (normally family) who often require support in their own right if they are to continue to undertake this very valuable work.

Our community is not as ethnically diverse as other parts of the region or England and Wales as a whole. The Black, Asian and Minority Ethnic population makes up only about 4%. However, this increased by 64% between 2001 and 2006 compared to a 2% growth in its total population. This increase is due to the higher number of migrant workers coming to Herefordshire since the expansion of the European Union in 2004.

Within Herefordshire there are two areas that have particularly high levels of income deprivation; in the Leominster Ridgemoor areas 41% of individuals live in income deprived households and Golden Post – Newton Farm in Hereford City 37%. These two areas are both within the 10% most deprived areas in England and pose a particular challenge in terms of reducing inequalities and improving the quality of life for those living there.

Our key characteristics of place:

- Herefordshire is a sparsely populated county
- The population is increasing
- Herefordshire's population has a relatively old age structure, with the proportion of older residents expected to increase
- Numbers of children in Herefordshire are decreasing
- The County has a relatively small, but growing, black and minority ethnic population
- There has been a dramatic increase in the numbers of migrant workers coming to the area
- The rateable value of commercial property is low
- Residents use different modes of travel for work
- Access to broadband is low in the more rural areas
- Emissions of CO² have increased

Draft for comments

Places and People

Introduction

There is currently no single approach to delivering services on a locality basis although it is well recognised that this needs to be addressed over the coming years if services are to continue to benefit the community as a whole.

An important principle in delivering services across Herefordshire is that they should meet the needs of the local community, with people being able to access services in a flexible way, not determined by where they live.

Within the context of the Government's Total Place agenda and requirements to deliver improved outcomes for the local population within ever-increasing financial constraints, there are clearly opportunities to improve access to services and service delivery by agreeing a common approach to localities in Herefordshire.

Having reviewed a range of possible approaches, Civil Parish Boundaries have been identified as the building block having the clearest linkage to local communities and are already being widely used across public services in Herefordshire.

In relation to physical assets, it is proposed that public sector services in the county should wherever possible be accessed in a joined up way. This involves ensuring that buildings are shared and that there are joined up service delivery arrangements in agreed key locations, supported by a range of community and service delivery arrangements as appropriate.

Services are already being brought together to benefit the local community in some market towns. The Bromyard Centre is an example, housing the Info Shop, library and HALO integrated front desk. In addition, there are also public access computers, tourist information, Job Centre Plus information, client rooms and a group room all within one building. This joined-up approach is also reflective in community led schemes and other public sector schemes in the second tier settlements based on multi-use centres, for example at Peterchurch.

This approach will be further developed over the coming years; ensuring that those living and working in Herefordshire have equality of access to services, brought about by increasingly delivering services on a locality basis in a way that fully benefits the local community.

What we've achieved so far

Children and Young People

Educational standards are high, with good A level results and GCSE rates improving. Results in primary schools could be better. Children are generally healthier in this county than other parts of the country. They eat more fruit and vegetables and do more sports than elsewhere. Young people generally do well in getting employment, further education or training once they leave school but most of those who need higher education or university provision have to leave the county for this

Image

(image)

Economic Development and Enterprise

The need for good employment opportunities and the attraction of investment and new business into the county is well recognised. There are many people with a high level of skill who move to settle in the county and set up small businesses but young people often leave the county to go onto higher education and don't return; the need for a University Centre is well recognised and funding is currently being sought for this.

Image

Environment

The county is clean and well kept. The amount of waste going to landfill is reducing but at a much slower rate than other authorities, placing Herefordshire within the bottom quartile of all English authorities. Recycling should improve further with the introduction of the new wheelie bin system in November 2009. CO2 emissions are high mainly due to the reliance on cars and the limited public transport available. There has been a slight reduction in the total amount of carbon emissions between 2005 and 2007. There are many special geological and sites of special scientific interest. The number of these being properly managed is increasing.

Image

Safer Communities

Herefordshire is a safe place to live with already low levels of crime which are reducing further. A main concern for residents in Herefordshire is the number of people dying on Herefordshire's rural roads; multi agency work to address this is starting to show some good results.

The police force in Herefordshire is particularly good at talking to and working with small communities to help them with local problems. Safer Herefordshire plays a major role in reminding local people that crime in the county is low. It does this through community events, publicity and through the use of national campaigns. As a result fewer people fear being a victim of crime than in most parts of the country.

Image

Healthier Communities and Older People

People are healthy in the county. Many people live longer than elsewhere. There are more people over the age of 65 and most consider themselves to be in good health. Deaths from cancer and circulatory disease for people under 75 are lower than nationally and decreasing. There are particular concerns though about the number of people who die or are seriously injured in road traffic accidents.

Image

Stronger Communities

The Area Assessment reported that the majority of people were satisfied with where they lived. More people volunteer to help in their communities than in many parts of the country. Housing in Herefordshire is generally expensive and many people find it hard to afford to rent or buy a home. Herefordshire Housing Ltd - the main provider of social housing - has recently made enormous improvements in the way it runs its business. Tenants are happier and their living environment has improved. Working with the police, council and community services means anti social behaviour is dealt with quickly.

OUR PRIORITIES

Children and Young People

We aim to improve the lives of children and their families, and enable all children and young people to develop the knowledge, skills and judgement they need to lead a fulfilling life

We will ensure that every child grows up to reach his or her full potential within a happy, healthy and secure environment, both at home and during their learning. There should be opportunities for children and young people to explore their environment through stimulating play, outdoor adventure and social and cultural experiences. Children and young people need to develop their own skills so they are better prepared for adulthood, able to manage their own affairs and inter-relate with others effectively.

Successful delivery will need co-operative working of all the partnership agencies concerned with commissioning and delivering services for children and young people in the County. This will be based on the delivery of integrated services, around the needs of the child, young person and their family. This will be taken forward through the implementation of the “No Wrong Door” approach to locality working.

Local Context

Of the total population, 27% are aged between 0 and 24 years (48,600 children and young people). The number of under 16s has decreased by 7% since 2001 and now account for 17.7% of the population. The numbers of under 16s in the county is expected to continue to fall over the next few years, stabilising at around 29,000 in 2016 (15% of the population). This change in the demographic make up of the county brings with it specific challenges in terms of maintaining high quality educational provision, particularly in the more rural areas. It also poses challenges in terms of ensuring equality of opportunity for all our young people.

Educational standards in Herefordshire remain high with 52% of pupils achieving 5 or more GCSEs at grades A* - C (including English and Maths). This compares well with all other areas of the country. However, there are still 13 areas in Herefordshire that fall within the 25% most deprived in terms of engagement with and achievement in education and skills.

The proportion of children living in income deprived households in the most deprived areas of Herefordshire has increased relative to the county as a whole, (62% in Leominster-Ridgemoor and 49% in Golden Post–Newton Farm). This impacts in many ways on the lives of our children and young people and brings significant challenges in terms of making sure they lead safe, healthy and fulfilling lives

Our issues and challenges:

- Greater proportion of 11-15 year olds reported they were drinking alcohol
- Rates of teenage conception are beginning to rise
- Nearly a quarter of Reception age children and over a quarter of Year 6 children are either obese or overweight
- The proportion of mothers breast feeding has decreased
- Numbers of sexually transmitted diseases amongst young people rising sharply
- Proportion of children living in deprived households in most deprived areas increased
- Increasing numbers of children are victims of crime
- Areas within Leominster and Hereford City have high levels of deprivation in terms of engagement with and achievement in education and skills

We are working towards the following outcomes:

- ☺ Children and young people are healthy and have healthy lifestyles
- ☺ Children and young people are safe, secure and have stability
- ☺ All young people enjoy and attend local facilities, including schools, developing personally, socially and emotionally and achieving high standards of educational attainment
- ☺ Children and young people engage in positive behaviour inside and out of school
- ☺ Children and young people engage in further education, employment and training on leaving school

Strategies and other documents linked to these priorities:

The Children and Young People's Plan 2008-2011

(images)

◆ Everyone is someone ◆ Work across boundaries ◆ Safeguard our future

OUR PRIORITIES

Economic Development and Enterprise

We aim to create an environment for enterprise to thrive and enable business growth and prosperity for all

A flourishing and diverse local economy is vital to the development of the County and local residents. A healthy economy can also make a vital contribution towards improving quality of life in the community and reducing health inequalities.

Partners will work together to enable enterprise through infrastructure improvements, support for business growth, inward investment and creating employment opportunities. This will encompass the need to create a sustainable economy building on diverse business base while caring for the environment and recognising the distinctiveness of the County.

Successful delivery of this theme will require co-operation between key partners, often across boundaries, to ensure that the supply of skills, training and business support is planned, managed and delivered in a coherent, collaborative way within the framework of priorities expressed in the Regional Economic Strategy. This includes working in partnership to recover from the effects of the economic downturn.

Local Context

Herefordshire has a relatively high employment rate, compared to national or regional figures, with the number of self employed, small businesses and home working being significantly higher. Herefordshire's earnings are low with the gap between the county's earnings and those of the rest of the country (£389.40 in Hereford compared to £448.90 in the West Midlands and £483.10 in England) continuing to widen.

The manufacturing sector is important to the county accounting for 14% of employees, with successful companies using innovations to enter new markets. Agriculture continues to be a significant part of the county's economy, with the number employed in this sector having increased to 7% (compared to 1% in England and the West Midlands), highlighting the relative importance of the industry to Herefordshire's.

Herefordshire has a thriving tourism sector with approximately 4.8 million visits to Herefordshire in 2008 bringing £411 million into the county. This tourism product reflects the distinctiveness of the county, including capitalising on food and drink production and the creative industries sector.

Transportation and communication infrastructure is a key issue for the county, as it impacts on employment, health, access to services, quality of life and the county's

economic development. Herefordshire is particularly dependent on road transport because of limited public transport links within and outside the county.

Community Transport and other travel initiatives address some of the challenges of access to public transport, particularly in the north and western parts of the county..

Poor communication links across the county are a barrier to business growth with 46% of rural areas having access to no, or only low speed broadband. This compares to only 1% in urban areas and brings with it huge challenges for businesses as well as wider access to information and services

The Third Sector plays a important part in the Herefordshire economy, with around 1600 organisations delivering an essential range of services across the county. The paid workforce makes up around 3.9% of the total employed population and, according to survey results, around 18% of people volunteer on a regular basis.

There are a number of long term strategic projects that aim to stimulate and regenerate economic growth in Herefordshire. Rotherwas Futures will transform the existing Rotherwas Industrial Estate, creating new jobs and helping the Herefordshire economy to compete in the longer term. The Edgar Street Grid development will regenerate 100 acres within Hereford city centre, creating hundreds of opportunities for local people through development of leisure facilities, retail outlets and other business developments. Model Farm in Ross on Wye will create an innovative approach to providing new employment land married with Live / Work provision to cater for changing needs of businesses wanting to locate to the county. All developments are ambitious and will take time to delivery but when fully implemented will provide a huge economic boost for the whole of Herefordshire.

Our issues and challenges:

- Gross Added Value is increasing but at a lower rate than regionally and nationally
- Slightly lower proportion of high and medium-technology manufacturing jobs
- Though earnings have increased, there is a growing gap between the regional wage levels
- Forecast 6% fewer people aged 16 to 64 living in Herefordshire by 2026
- Low unemployment rate though increased due to the economic downturn
- Increase in problems associated with personal debt and other effects of the economic downturn
- High levels of income deprivation in Leominster Ridgemoor and Golden Post-Newton Farm
- 5% of working age population travel to work outside the County

- Rural areas less likely to receive decent level of broadband service

We are working towards the following outcomes:

- ☺ Sustaining existing businesses with advice and guidance to minimise job losses and work with partners to support employment
- ☺ Developing a more adaptable and higher skilled workforce
- ☺ Supporting businesses and home working through better Broadband services
- ☺ Improving business accommodation and employment land quality and availability
- ☺ Attracting high quality and better paid employment into the County and encouraging entrepreneurship and innovation
- ☺ Promoting Herefordshire as a place with a diverse business base, building on its distinctiveness and heritage.
- ☺ Reducing traffic congestion and improving health through integrated transport provision, including opportunity for maximising cycling, walking and public transport
- ☺ Encouraging businesses to consider the environment and make savings through sustainable working practices

Strategies and other documents linked to these priorities:

- Herefordshire Economic Development Strategy 2005-2025
- Herefordshire Local Transport Plan
- Learning and Skills Council Herefordshire Local Area Statement of Need 2009/10
- Access to Services in Herefordshire Report 2009
- West Midlands Economic Strategy
- West Midlands Regional Spatial Strategy
- Herefordshire Tourism Strategy

(images)

◆ Everyone is someone ◆ Work across boundaries ◆ Safeguard our future

OUR PRIORITIES

Environment

We aim to protect and enhance Herefordshire's distinctive environment and address climate change

Herefordshire's environment is one of its greatest assets, underpinning the County's continuing prosperity. The interactions between natural, cultural and human influences on this asset are complex. Consequently a wide range of priorities have been defined that should be addressed in order to maintain and improve the quality of the County's environment.

Pressures from development, changes in land use and pollution are increasing. One of the biggest potential threats however, is climate change, and although this needs to be tackled globally, local action to cut emissions and adapt to change is essential.

Efforts aimed at addressing environmental priorities within the County must be addressed through partnerships. Local communities will be engaged, in particular, through increasing awareness of issues, including the case for change. The influence that quality of the environment has upon other themes within the Sustainable Community Strategy also needs to be recognised, in particular its impact on health and wellbeing.

Local Context

Herefordshire provides a unique and beautiful environment for those who live, work and visit and local biodiversity and conservation are important in making the county the place that it is.

The county has a diverse set of habitats, which support an equally diverse population of plants and animals. Although Herefordshire only occupies 17% of the West Midlands region it has 31% of the region's ancient semi-natural woodland, with the ash/lime woods of the Wye Valley of international importance.

Herefordshire has a much higher carbon dioxide level per head of population than anywhere else in the country; with emissions from transport, industry and the commercial sector increasing. This highlights a challenge for Herefordshire in terms of managing the balance between growth in the economy and the environment, be it the amount of green space or CO2 levels.

In recent years significant weather events have had a major impact on Herefordshire's emergency and public services, local businesses and the wider community.

Our issues and challenges:

- Emissions of CO2 from industry and commercial sector increased
- Amount of waste to landfill is reducing slower than in other areas
- Higher carbon dioxide levels per head of population
- Significant weather events have a major impact on the area

We are working towards the following outcomes:

- ☺ Reducing waste and increasing recycling
- ☺ Acting to mitigate Climate Change and its consequences including promoting adaptation
- ☺ Protecting and enhancing biodiversity within the County
- ☺ Increase awareness of environmental matters including in particular efforts to promote sustainable living and the development of relevant skills and the environmental economy
- ☺ Protect, enhance and manage landscape character
- ☺ Encouraging investment in high quality streets, public spaces and the built and historic environment
- ☺ Assisting local communities to identify, retain and develop local distinctiveness
- ☺ Protecting and improving water resources and the quality of rivers, streams and lakes, and encouraging responsible water use and management
- ☺ Promoting sustainable land management

Strategies and other documents linked to these priorities:

- Herefordshire Biodiversity Action Plan
- River Basin Management Plan, Severn River Basin District
- Green Infrastructure Strategy
- Herefordshire Climate Change Strategy
- Herefordshire Environmental Strategy 2001-2011
- The Joint Municipal Waste Management Strategy for Herefordshire and Worcestershire
- Herefordshire Unitary Development Plan
- Local Development Framework
- West Midlands Regional Forestry Framework
- Herefordshire Council Biodiversity Strategy
- Herefordshire Affordable Warmth Strategy

- “Putting the Historic Environment to work” – A strategy for the West Midlands 2010 - 2015

(images)

- ◆ Everyone is someone ◆ Work across boundaries ◆ Safeguard our future

Draft for comments

OUR PRIORITIES

Healthier Communities and Older People

We aim to work with people and their communities to enable them to lead healthy and fulfilled lives

This priority is concerned with promoting how public health and social care objectives and actions are being developed to improve the health and well being of the people of Herefordshire. However, it should be understood that the wider actions being taken to make things happen under each of the individual themes within this document support each other and all contribute to people's health and wellbeing.

The essential foundations for a healthy and fulfilled life are good physical and mental health, public safety, good education, employment and housing. This priority therefore contributes to the identification of key issues well beyond public health and social care measures. It works towards improvement in health and wellbeing and reducing health and social inequalities in Herefordshire by ensuring that relevant organisations provide the best possible services and build and maintain long term partnerships that promote the health and wellbeing of individual Herefordshire residents, whilst also recognising the role of carers.

The Public Health Annual Report highlights a number of key strategic objectives to reduce health inequalities and improve health and wellbeing by providing a better understanding of local health needs. However, the Annual Report is not an end in itself. Momentum must be maintained so that the enthusiasm generated to achieve significant public health improvements is harnessed and built upon. The positive support of our local acute hospital, community and mental health sector, social care, local GP practices, schools and colleges, the voluntary sector and local business is crucial to the success of this theme.

Local Context

In general, health in the county is relatively good. People in Herefordshire live longer than the average regionally and nationally: life expectancy is 78.1 years for males and 83 for females. There are 9 areas in Herefordshire that fall within the 25% most deprived nationally in relation to the Health and Disability domain, 5 of which are also within the 20% most deprived. All of these deprived areas are in either Hereford City or Leominster. There are no areas in Herefordshire that are within the 10% most deprived nationally.

Mortality rates for cancer, circulatory diseases and chronic conditions remain lower than in other areas but are significantly affected by different patterns of risk-taking behaviour, in particular smoking, drinking too much, and being overweight or obese.

Childhood obesity is of particular concern, with 23% of reception class children and 31% of year 6 children either overweight or obese. There are links between obesity and social deprivation, and these can be shown locally as well as at national level. In Herefordshire, 19% of children from the most deprived 18 Super Output Areas were obese, compared with 12% in the areas outside this group.

The number of 18 – 64 year olds with disabilities in Herefordshire is likely to increase by 2026 which will put pressure on public services. Over the past year, there has been a sharp decline in the numbers of people with physical disabilities helped to live at home and this is a concern.

The health, well-being and independence of older people is a key priority for Herefordshire, which will only be achieved through robust multi agency-working, including an enhanced role for the third sector. The vision promoted through the Growing Older in Herefordshire Strategy is that older people will remain independent and active, continuing to live in, and contribute to, strong local communities and be included in decisions regarding the future services and activities that they want and need.

A substantial increase in the numbers of older people that will have some dependency on social care in Herefordshire is expected by 2020. With this there is also expected to be a disproportionate increase in the number of older people with dementia who will need enhanced care.

It is estimated that there are about 19,400 adult carers and 300 young carers in Herefordshire. Not all of these carers are providing regular and substantial care but the care they provide may be crucial to the person who needs it. It is essential that these carers are properly supported. Carers are more likely to be in 'not good' health than non-carers, and the disparity increases with the amount of time spent caring per week.

Our issues and challenges:

- Number of 18-64 year olds with disabilities is likely to increase by 2026
- Higher levels of income deprivation for older people in Bromyard Central, Hereford City and Leominster
- Number of people with physical disabilities helped to live at home decreased over last 10 years
- Substantial increase in numbers of older people with some dependency on social care expected by 2020, with disproportionate increase in numbers with dementia
- Dental health amongst children is poor

We are working towards the following outcomes:

- ☺ Supporting smokers to quit, particularly young, pregnant and long-term smokers
- ☺ Supporting people to maintain a healthy weight
- ☺ Reducing the level of harmful alcohol use, particularly among young people
- ☺ Working with local people to enhance emotional wellbeing and intervene to reduce suicide, accidents and injuries
- ☺ Supporting people with assessed social care needs to live independently in their own homes wherever possible, with accessible services and information they need
- ☺ Ensuring vulnerable adults are kept safe by a fast and reliable service response

Strategies and other documents linked to these priorities:

- Public Health Annual Report (April 2009)
- Joint Strategic Needs Assessment (JSNA) - October 2008 and October 2009
- Older People's Strategy (revised 2010)

(images)

◆ Everyone is someone ◆ Work across boundaries ◆ Safeguard our future

OUR PRIORITIES

Safer Communities

We will work together to make Herefordshire an even safer place to live, work and visit

Herefordshire is a safe county in which to live, work and visit. Crime levels are low and reducing year on year and this is the underlying focus for the Safer Communities theme. Key partner agencies work together to ensure priorities surrounding crime and the perception of crime, reducing anti-social behaviour, drug and alcohol-related harm and road safety are successfully addressed to reduce crime and disorder within Herefordshire.

Safer Herefordshire conduct an annual strategic assessment, including use of partner data, and public consultations. This is then used to identify strategic priorities for Herefordshire.

Local Context

Although crime is reducing in the county, (examples include house burglary, and criminal damage), the proportion of residents in Herefordshire that are fearful of certain types of crime remains fairly high despite the numbers of some of these crimes having decreased considerably over the last few years, an example being house burglary. It is therefore considered to be a priority not only to decrease the already low level of crime overall but also to address the disproportionate fear of crime felt amongst some members of the community.

The number of alcohol-related hospital admissions is of concern with 1249 per 100,000 residents during 2008/09, and predictions are that the number of alcohol related admissions will continue to rise. Please note that this definition does not include attendance at A&E.

In 2008, results from the Herefordshire Quality of Life Survey showed 21% of respondents reporting people being drunk or rowdy in public places as a problem in their local area

The proportion of residents in Herefordshire who feel that there are high levels of antisocial behaviour in their local area is small (12%) but many consider road safety and speeding traffic to be a problem (50%) (Source: 2008 Quality of life survey).

A recent report by Herefordshire Council's Accident Investigation and Prevention Team focused on road casualties in Herefordshire, including those killed and seriously injured, throughout 2008. This will be used to further identify and enhance

future community engagement, engineering, education, enforcement and evaluation activities for the Herefordshire Road Safety Group (one of Safer Herefordshire's Priority groups).

An example of Safer Herefordshire activities include

- hosting a road show throughout the county with partner agencies, to promote community safety, fire safety and policing.
- the development of a bi-annual magazine for Herefordshire's drug users and carers. This primarily contains contributions from drug users and carers, along with harm reduction information and contact details for local and national service providers.
- the promotion of road safety through events such as motorcycle rider skills assessment days and classroom based advanced driving courses.

Safer Herefordshire is working towards the following priority outcomes:

- ☺ Reducing crime through offender management and other interventions
- ☺ Reduce incidence of domestic abuse
- ☺ Reducing drug and alcohol related harm
- ☺ Increased road safety
- ☺ Reduce incidence of anti-social behaviour, including dealing with local concerns about ASB and crime issues by the council and police

In order to meet these strategic priorities, performance is measured through a range of agreed national and local targets.

Strategies and other documents linked to Safer Herefordshire priorities:

- Safer Herefordshire Strategic Plan 2008 – 2011
- Safer Herefordshire Strategic Priorities 2009 – 2010
- Children and Young People's Plan 2008 – 2011
- Harm Reduction Strategy 2008 – 2010
- Young People's Specialist Substance Misuse Treatment Plan 2009 – 2010 (Part 1)
- Adult Drug Treatment Plan 2009 – 2010 (Part 1)
- Herefordshire Local Transport Plan

(images)

- ◆ Everyone is someone ◆ Work across boundaries ◆ Safeguard our future

OUR PRIORITIES

Stronger Communities

We will develop stronger, vibrant, more inclusive communities in which people enjoy a good quality of life and feel they have influence over the decisions that affect them

A strong community is one that feels empowered, confident and accepted. In order to achieve this there should be respect for each other and groups, and individuals from all backgrounds need to be informed and have the opportunity to get involved in making decisions which affect their communities.

Local communities will be more sustainable if they have access to vital services and facilities which meet their needs, such as suitable housing, health facilities, leisure facilities, libraries and other cultural venues, shops and local meeting places. For Herefordshire, access to services is particularly key in rural areas, and this could be improved through innovative solutions, for instance, better use and combining of community, public and private sector buildings and facilities and mobile services.

Currently, there are challenges around tackling homelessness and being able to increase the amount of affordable housing to meet local needs and ensure the viability of neighbourhoods and communities.

Enhancing leisure opportunities for active leisure in the County is one way of contributing to thriving communities and creating opportunities for social interaction between people of different ages and backgrounds, as well as promoting understanding of cultural issues, health and wellbeing, community cohesion, activities and access to a wide range of experiences.

Volunteers give their time, skills and knowledge to enhance the contribution of the voluntary and community sector in shaping and delivering local services and building stronger, vibrant and more inclusive communities.

An already strong record of promoting equality and tackling discrimination must be built upon as the County's population becomes more diverse. Active engagement with communities needs to continue in order to understand the needs of all residents, particularly those disadvantaged or experiencing social exclusion.

Local Context

Herefordshire is seen as a good place to live and work. A significant number of adult residents (87%) are satisfied with their local area as a place to live but only

29% feel they are able to influence decisions in their locality, lower than in previous years.

There are xx areas in Herefordshire within the 25% most deprived nationally in terms of overall deprivation, one more than in 2004. These areas are within Hereford City and the market town of Leominster. The most deprived locality is within the South Wye area of Hereford City which is also within the 10% most deprived nationally.

Many areas are disadvantaged because of their rural nature. Accessibility of services is a key issue in the sparsely populated rural areas, with 76 out of the 116 super output areas in Herefordshire falling within the 25% most deprived in terms of geographical access to services.

Access to services is being addressed in a combination of ways, including bringing people to services through developing and sustaining rural transport networks, and bringing services to people through the enhanced use of shared facilities. For example, increased use of public sector buildings would help to make provision of services sustainable, as would the ability to access the increasing number of services being delivered electronically. Although the percentage of the population using broadband facilities has risen, there are still a significant number of people who are disadvantaged by not having access to high-speed communications.

Herefordshire has a particularly, diverse and independent Third Sector, with a wide range of voluntary organisations, charitable organisations, community groups, social enterprises and housing associations contributing significantly to all aspects of life in Herefordshire, including helping deliver council services and objectives in libraries, museums and the arts.. The sector has grown strongly in the past decade, benefiting from a coordinated approach to recent infrastructure investment. Although the sector is now in a strong position in terms of being able to support the needs of those who are often at the margins of society, the inevitable turnover of volunteers requires continued effort and investment so that the level of provision can be maintained.

The economic downturn has had a huge impact on the sector with a reduction in income and an increased demand for services. As many funding streams come to an end, the sector is facing a particularly challenging future to maintain its capacity. Small groups, particularly those located in sparsely populated rural areas often struggle to keep going and lack the capacity to engage with wider agendas such as the delivery of services.

The county has a distinct cultural heritage and countryside, access which can be accessed via a huge network of public rights of way. The network of cultural centres contributes to access of services, with 62% of residents satisfied with libraries and 62% with parks and open spaces. Levels of satisfaction are lower for museums, galleries, theatres and concert halls and sport/leisure facilities and this needs to be addressed, although satisfaction with museums, according to the national Active People Survey. Access to cultural facilities can play a large role in people feeling part of a community and through which services can be delivered locally.

Low average levels of earnings, coupled with the relatively high house prices, mean that housing affordability is a major issue in the county with Herefordshire having the worst housing affordability ratio for all local authorities in the West Midlands. In 2008 for those on lower quartile earnings, a house at the bottom end of the market would cost them 9.2 times their annual earnings. The mix of properties affects affordability, with Herefordshire having a much higher proportion of detached properties than regionally or nationally (22.8%).

A key priority for the county is to increase the availability of appropriate, decent and affordable housing for the community, particularly for disadvantaged groups and first-time buyers. However, the economic downturn has adversely affected the delivery targets for affordable housing.

There is a high demand for affordable 1, 2 and 3 bedroom social properties in Herefordshire and for all types of housing in Hereford City. The quality of housing is also an issue with a high level of dwellings that are categorised as being in a 'non-decent' condition.

The county has a commitment to reduce the number of people living in residential homes, which presents a particular challenge in terms of supporting people to live safely and independently in their own homes. To fulfil this commitment requires a robust multi-agency approach, with carers and the voluntary and community sector having a key role to play alongside statutory agencies.

Our issues and challenges:

- Only a minority of residents feel they can influence decisions affecting their area
- Access to key services is notably worse in rural parts compared to England and region
- Levels of satisfaction are lower for museums and galleries, theatres and concert halls and sport/leisure facilities
- Addressing declining use of libraries
- Numbers of homeless households increased following previous decline
- The potential of volunteering to have an impact across the priorities of the Partnership
- High proportion of pensioner households and ageing population may result in increasing demand for certain types of suitable accommodation
- Worst housing affordability ratio for all local authorities in the region
- High demand for affordable social properties across area and all types in City

- A third of dwellings are in a non-decent condition

We are working towards the following outcomes:

- ☺ Providing affordable housing and addressing homelessness
- ☺ Ensuring vulnerable people have access to a range of housing options, including support and the ability to live independently
- ☺ Providing accessible, high quality sporting, cultural and recreational facilities and activities
- ☺ Raising awareness and use of library services
- ☺ Ensuring fair access to the services which Herefordshire residents need
- ☺ Raising awareness and understanding of volunteering, promoting mutual benefits to the individual and the wider community
- ☺ Encouraging communities and individuals to participate and influence local decisions which affect them
- ☺ Promoting a County where people feel accepted, confident and empowered
- ☺ Ensuring communities are more resilient and recover from emergencies through effective partnership planning and co-ordination

Strategies and other documents linked to these priorities:

- The Herefordshire Compact and Codes of Practice
- Herefordshire Community Development Strategy
- Herefordshire Comprehensive Equality Policy
- Herefordshire Cultural Strategy
- Housing Strategy for Herefordshire
- Herefordshire Recovery Plan
- The Herefordshire Arts Strategy
- Herefordshire Local Transport Plan
- Disability Equality Scheme 2009-2012
- Race Equality Scheme 2008-2011
- Gender Equality Scheme 2010-2013

(images)

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APPENDIX 1

The Herefordshire Sustainable Community Strategy – What it is and why we need it

Overview of the Herefordshire Sustainable Community Strategy

The Herefordshire Sustainable Community Strategy is a key long-term planning document for improving the quality of life and services in Herefordshire. Every Local Authority is required to have a Sustainable Community Strategy which has been developed and agreed with its Local Strategic Partnership. Herefordshire Partnership is the Local Strategic Partnership for Herefordshire, representing local public services, businesses, and voluntary and community sector organisations.

Purpose of the Herefordshire Sustainable Community Strategy

The Herefordshire Sustainable Community Strategy sets the overall strategic direction and long-term vision for the economic, social and environmental wellbeing of Herefordshire to achieve our Vision for 2020, in a way that contributes to sustainable development. It sets Herefordshire in context, outlines our distinctive Vision and ambition for the area, and is backed by clear evidence and analysis, for example through The State of Herefordshire Report.

Why we have the Herefordshire Sustainable Community Strategy

The Local Government Act 2000 charged local authorities with preparing a Community Strategy with their partners through a Local Strategic Partnership, and Herefordshire's first version was known as the Herefordshire Plan. The Community Strategy for Herefordshire was subsequently published in 2006 and in recognition of emphasising the importance of sustainability, this refreshed version has been renamed the Herefordshire Sustainable Community Strategy.

Noting the key issues previously established in the 2006 Community Strategy and testing these against current information and evidence has been vital in identifying local priorities. As processes for these have improved, so has the role of this document in understanding the changing needs of our communities. Herefordshire's Sustainable Community Strategy, to which partners are fully committed, is essential to ensure the development and delivery of our Local Area Agreement. The Local Area Agreement is explained on page 7.

How the Herefordshire Sustainable Community Strategy can be used

The Herefordshire Sustainable Community Strategy can be used in a range of different ways:

- Firstly, and most importantly, local organisations will use the Community Strategy to inform the planning of their own services both now and in the future.
- Regional and national organisations will use the document to identify key issues facing the County, and direct resources accordingly.
- Local groups with innovative ideas for projects can link their funding applications to the Strategy in support of their applications.

APPENDIX 2

How the Herefordshire Sustainable Community Strategy will be delivered

The Herefordshire Sustainable Community Strategy will be delivered through many organisations, networks, sectors and groups working together to co-ordinate activity, reduce duplication and provide high quality services. Herefordshire Partnership’s structure is designed to ensure the successful delivery of the Herefordshire Sustainable Community Strategy through three tiers of management:

Herefordshire Partnership Board

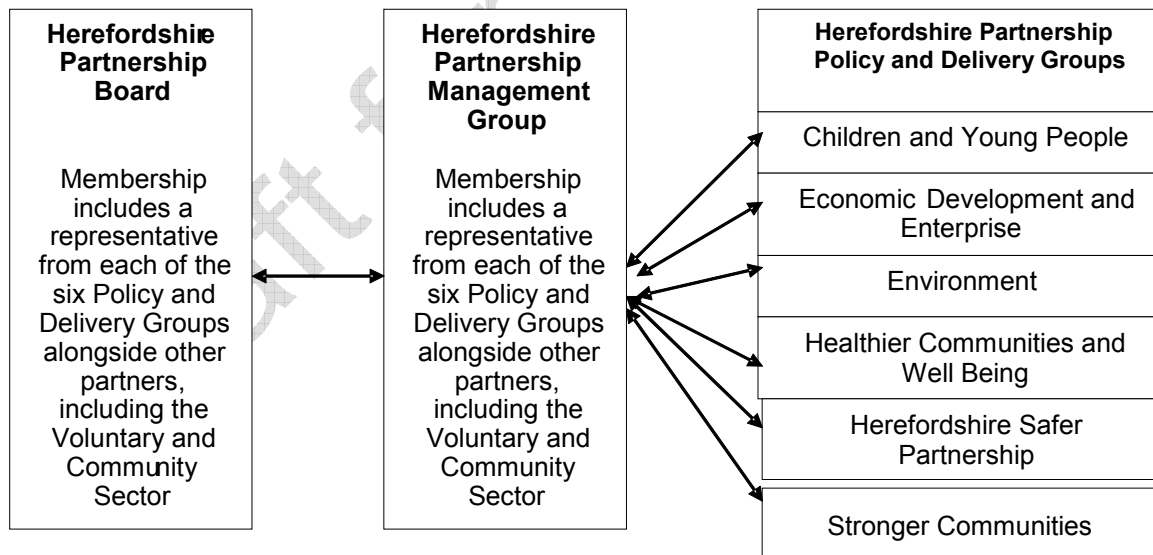
Sets a Vision for Herefordshire based on a sound understanding of the County, local issues and a responsibility to ensure delivery of efficient, high quality services. Lobbies, campaigns and champions the issues of importance to the County at regional and national levels and acts as an ambassador for the Partnership.

Herefordshire Partnership Management Group

Takes responsibility for delivering the Herefordshire Sustainable Community Strategy by ensuring resources are utilised to address identified priorities. Accountable for the work of the six Policy and Delivery Groups through reporting their progress to the Board.

Six Herefordshire Partnership Policy and Delivery Groups

Formulate and commission and deliver work to address the priorities in the Herefordshire Sustainable Community Strategy, based on comprehensive information of local need. They report progress on their work to the Management Group.



Membership of the Policy and Delivery Groups includes representatives from organisations who are committed to delivering high quality services which address the priorities for their group. Details of each group can be found on pages xx to xx. Contact details for people involved with each group have not been included as they change from time to time. However, should you wish to know more about the work of any of the groups please contact Herefordshire Partnership (details given on page xx). In addition, our website provides up-to-date information www.herefordshirepartnership.com

APPENDIX 3

Key work which links with the Herefordshire Sustainable Community Strategy

The Local Area Agreement

The Local Area Agreement contains targets for improvement agreed by all the local partners, and delivery plans that fit within the longer term Vision and priorities agreed in the Herefordshire Sustainable Community Strategy. Our Local Area Agreement is an agreement between Herefordshire Council, Herefordshire Partnership and Central Government, with the aim of improving the quality of life for local people, organisations and businesses.

The Local Development Framework

Every local planning authority must prepare a Local Development Framework to be consistent with national planning policy and the Regional Spatial Strategy. The Local Development Framework is the spatial expression of the Herefordshire Sustainable Community Strategy and will aim to contribute to the achievement of sustainable development. The Local Development Framework is a folder of policies and plans which reinforce the Herefordshire Sustainable Community Strategy by setting out the key spatial strategies for the area, such as house building and related infrastructure provision.

The Power of Well Being

The Power of Well Being was given to Parish and Town Councils in April 2009. This power enables them to fund anything to promote or improve the social, economic or environmental well being of their area. An eligible Council must have regard to the Sustainable Community Strategy proposed by their Local Authority i.e. Herefordshire Council.

The Sustainable Communities Act

The Sustainable Communities Act 2007 aims to promote the sustainability of local communities and begins from the principle that local people know best what needs to be done to promote sustainability of their area. The scope of the Act is very broad, covering economic, social and environmental issues. It does not limit the type of action that could be put forward, provided the action is within that broad scope. It is for local people to decide what they think needs to be done to promote the sustainability of their area. The Act is designed to strengthen the role of communities.

APPENDIX 4

Sources of information

The State of Herefordshire Report provides a wealth of statistics relating to the County - its people, environment and economy. It is a digest of information that describes the County, linked to the themes of the Herefordshire Sustainable Community Strategy. The aim of the report is to provide a resource for those working for organisations involved with the Herefordshire Partnership, both reflecting and informing local strategic thinking. It is used for a variety of purposes including developing and monitoring strategies, programmes and projects, funding bids and research activities.

More information about the State of Herefordshire Report, including the latest facts and figures about Herefordshire, can be viewed by visiting the Facts & Figures about Herefordshire at www.herefordshire.gov.uk/factsandfigures or contacting the Herefordshire Partnership Researchers on 01432 260893.

Parish Plans harness everything different and unique about a local community and its vision for the future. They provide an opportunity for the community to express its views and provide information about how people feel about where they live. The end result is a plan that reflects these views and an idea of when these things might happen

Partners and Communities Together (PACT) meetings offer communities the chance to tell the police, local authority and other organisations about issues causing concern and how they might be addressed. It also offers the opportunity for agencies to explain how their services operate and inform people about developments.

Local Development Framework consultation and engagement continues throughout the preparation of key local development documents. Major consultations on the Core Strategy were undertaken in 2007 and 2008, with further consultation planned for 2010. The results of these consultations will inform the final Core Strategy Vision and Objectives and strategic “place shaping” setting out how the County as a whole is expected to develop up to 2026. More information on the Local development Framework is on page 7.

E-consult draws together details of all the consultations Herefordshire Council and its partners are engaged in. It allows residents to take part in many of the consultations online. In addition partner organisations also employ a number of other means of consulting with local people and businesses, for example face-to face contacts and postal questionnaires.

The Herefordshire Quality of Life Survey is part of the new national **Place Survey**, which every Council in England is required to carry out every two years. The survey gathers residents' views on a range of issues which influence what Herefordshire is like as a place to live, as well as satisfaction with local public services. The results of the survey provide a valuable record of local opinions and priorities.

Local, regional and national partners

The Local Area Agreement was developed in 2007/08 through discussion and agreement with local and regional partners. A list of priorities were identified which aided the choice of Performance Indicators from the National Indicator set.

Local, regional and national strategic documents developed by organisations around specific areas of work were analysed for the priorities for Herefordshire that they highlighted. Key local and regional documents have been listed under the relevant Priorities on pages 12 to 23.

APPENDIX 5

Glossary of terms used in this document
(to be completed when final wording has been agreed)

Draft for comments

Inside back page

Draft for comments

Back page

Draft for comments

**For further information please contact the Herefordshire Partnership Support Team
or visit the Herefordshire Partnership website at www.herefordshirepartnership.com**

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01432 261792**



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

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To receive the Shared Services Strategy and agree the next steps of the programme.

Key Decision

This is not a Key Decision.

Recommendation

THAT Cabinet:

- (a) **accept the business case for shared services and confirm its support for the development of shared services to realise the benefits outlined;**
- (b) **note there are three models under consideration for fully implementing shared services;**
- (c) **agree that the Council should continue to develop the Shared Services using one or more of these models as appropriate;**
- (d) **note that the Business Transformation Board will be responsible for implementing Shared Services; and**
- (e) **authorise the Deputy Chief Executive to progress negotiations with partner representatives and to provide a further report seeking formal decisions from the Cabinet and/or individual Cabinet Member(s) as necessary.**

Further information on the subject of this report is available from Annie Faulder, Interim Deputy Chief Executive on Tel: (01432) 260037

Key Points Summary

- The business case for Shared Services and its recommendations has been accepted by the Joint Management Team (JMT).
- Steps have been taken, and continue, to implement the recommendations in this business case. These include setting up a unified programme board (Business Transformation Board) bringing together the work of the Herefordshire Connects and Shared Services Programmes, conducting a soft market sounding and setting up a Centre of Excellence for Procurement, transformation team and conduct and support Business Process Improvement work across the in-scope services
- The Business Transformation Board has ratified the recommendations made in the business case.
- In order to determine the optimal model for implementing shared services, legal advice has been sought from external expert legal advisers. That advice is reflected in Appendix B
- Their advice has lead to three models being explored in more detail. Each option has its relative strengths and weaknesses. The models under consideration are:
 - a. A lead commissioner provider model, whereby one of the three partners takes over the relevant support functions including staff. The Lead then provides (or commissions) services on behalf of the other two.
 - b. Transfer of part or all of the services to a Private sector partner. The three partner organisations conduct a procurement exercise to appoint a private sector strategic partner to deliver the in-scope support services on behalf of the partners.
 - c. Establish a public/public shared services entity. This would entail the three partner organisations setting up a joint venture company. This public/public venture will be wholly owned (in agreed proportions) by the partners and controlled as determined by the partners. This Joint Venture would have its own legal entity with a remit to both provide and commission services and to employ staff.
- It is possible to use one or more of these models in combination.

Reasons for Recommendations

1. To enable work on selecting a lead partner for Shared Services to progress.

Introduction and Background

2. The scope of this work is the implementation of a shared services strategy for the Council, NHS Herefordshire (NHSH) 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 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 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.

Background Information

4. Since May 2009, with support from PA Consulting, Herefordshire Shared Services Partnership (HSSP) has been assessing whether or not sharing corporate support services across Herefordshire Council, NHSH and HHT is viable. The work of the Shared Services Review has resulted in a credible case in support of making the change.
5. The shared services study (contained in the business case at Appendix A) identified that in scope services consume 526 full time equivalent employees and £19 million per annum.
6. Transforming these services to a Shared Services environment could release between 104-140 Full Time Equivalent posts [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;
7. Each of the in-scope services was 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 - the case for shared services

8. JMT have received and approved the detailed business case.
9. Cabinet received updates on progress in July and December 2009.
10. The three partners have a total combined FTE count of 526. Analysis shows that several of the larger in scope functions are bigger than they need to be. For example, the combined finance function is 35-40% larger than upper quartile performing functions. Similarly, HR is 36-39% off upper quartile performance.
11. Where Key Performance Indicators [KPIs] have not been available to size the target organisation PA have used their experience to estimate the savings range. Experience shows that a successful transformation programme, reviewing processes bottom up, can realise savings in the range of 10-25%. In most cases the savings potential is sufficient to justify moving to a shared service model, or at very least, a more detailed review of the options for sharing.

12. Adopting a shared service model could lead to savings in the range of 104 – 140 FTEs or £4.2m - £5.4m across the partners. The largest savings would come from a headcount reduction in Corporate support services. The business case suggests this could be in the order of 62 – 72 FTEs and cover repetitive or routine transactional work.
13. There are areas where savings will not be made by headcount reduction. For example, PA are confident that the procurement function can quickly realise savings from better contract management but may need to increase its strategic capability to do so.
14. The economic appraisal suggests cumulative benefits that range from £15.3 to 19.8M and cumulative costs range from £3.8 to 6.2M over the five-year period. All scenarios demonstrate significant positive benefits over the five-year period ranging from £8.6M to £13.7M.
15. Progress has been on a number of the recommendations:
 - a. A key recommendation of the 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.
 - b. The soft market sounding was conducted during October 2009, which yielded a very positive response from potential suppliers for the Strategic Partner contract.
 - c. A new transition team is being set up. This team will have representation from all three organisations.
 - d. A Centre of Excellence for procurement across the partnership. (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 has helped shape the recommendations being made to Cabinet.)

Model for shared services

16. The advice on models and options that could be adopted in order to implement Shared Services is reflected at Appendix B. As stated before, three options are now under consideration.

Community Impact

17. The objectives of the shared services programme, in producing efficiencies and cost savings to protect front line services is likely to mean a reduction in full time equivalent posts in back office services. The intention of the programme is to mitigate these reductions using measures to avoid or minimise the need for redundancies through redeployment, natural turnover, alternative work and other strategies that the Council is committed to.

Financial Implications

18. Initial costs have been borne from under spend in the Connects programme.

19. Issues around the governance and apportionment of costs and benefits will also need to be addressed and resolved as the initiative progresses.

Legal Implications

20. There are a range of complex legal issues to be addressed as this initiative progresses. Expert advice, in the attached models and options paper has been obtained. That advice identifies some of the legal issues to be resolved. These issues will be the subject of continued dialogue by the Transformation Board and all formal decisions required by partners will be sought as necessary from the Cabinet, NHSH and HHT boards.

Risk Management

21. 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, Herefordshire 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. That the recommendations are not approved by Cabinet and Trust Boards – Regular communications and updates, with clear presentation of case for change. All partners remain committed to Shared Services model, this complex relationship will require a high level of collaboration;
 - c. Lack of alignment between this work and other major initiatives - The integration of the key transformation programmes with a single governing board has been proposed.
 - d. Risk of the review having a negative impact on staff morale - This will be mitigated by a comprehensive communication strategy recognising the needs of staff and Trade Unions.
 - e. Return on Investment (risk that the business case does not justify the investment) - This will be mitigated by the regular review of the business case to regularly test that it is viable.
 - f. 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.

Alternative Options

22. Do nothing – This approach would prevent HSSP 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.

Consultees

23. 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) and partners. An action plan, which is updated monthly, outlines how each stakeholder group will be informed and engaged in the process.

Appendices

Appendix A: Business Case

Appendix B: Models & Options Paper

Background Papers

None

**HEREFORDSHIRE PUBLIC SERVICES SHARED SERVICES PROGRAMME REVIEW OF
GOVERNANCE AND PROCUREMENT ISSUES**

Introduction

We have been asked to consider the potential governance and procurement issues arising from the proposed Herefordshire shared services programme. This report covers the following topics:

- 1 Assumptions about priority objectives
- 2 Shared services partnership options
- 3 Form of governance arrangements
- 4 Key inter-partner issues
- 5 Procurement processes

1 Assumptions about priority objectives

The Business Case and the Outline Procurement Strategy identify a number of drivers for the Herefordshire shared services programme. To determine the way forward, it is important to focus on the priority objectives and assess which structures and procurement options will best achieve those objectives.

In producing this report, we have assumed that the following are the priority objectives for the programme:

(a) **Cost savings** – all three organisations are facing significant budgetary pressures over the next couple of years.

(b) **Quality of services** – the delivery of quality effective back office services

(b) **Speedy benefit realisation** – cost savings need to be realised quickly, starting no later than financial year commencing March 2011.

(c) **Promotion and regeneration of Herefordshire** – adopting the 'Total Place' principles in redesigning the delivery of support services across Herefordshire.

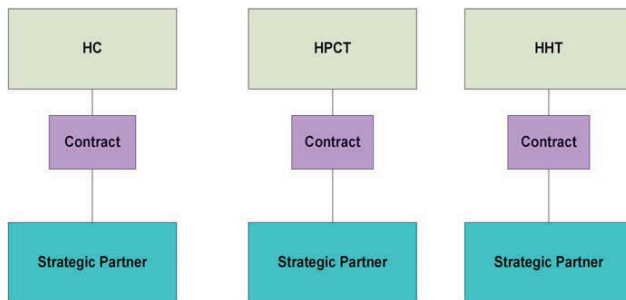
(d) **Protecting employment in the County** - retaining jobs locally.

2 Shared services partnership options

There are a range of possible options for achieving these objectives, each with its own advantages and disadvantages. These include:

2.1 Joint procurement:

Under this arrangement, the 3 partners could conduct a joint procurement exercise resulting in 3 separate contractual arrangements under a shared framework with a strategic partner. The costs and benefits of each contract would be borne or realised by the partner organisation.



Advantages:

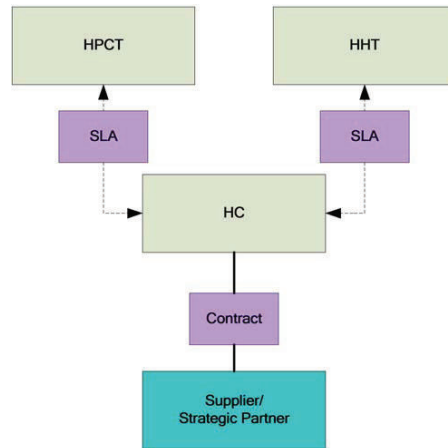
- Each partner free to specify own requirements.
- No need for detailed governance arrangements between the 3 partners.
- Separate financial liabilities.
- If requirements can be identified up front, might be possible to use the restricted procedure (or even the accelerated restricted procedure) as opposed to the competitive dialogue process, reducing the procurement timescales (see paragraph 5 below).

Disadvantages:

- Whilst the 3 entities would have a common supplier/strategic partner, and there may be some integration by that partner, it would not achieve integration in the governance arrangements or service specification. This would not achieve a true shared service arrangement.
- Likely to limit cost savings opportunities, as the strategic partner will view each partner as a separate client. Cost savings will be in the hands of the supplier.
- Procurement issues in transferring additional services to the partnership later on, unless they can be properly specified and evaluated prior to contract signature.

2.2 Lead commissioner/provider:

One of the three partners takes over the relevant support functions and staff, and then provides (or commissions) services on behalf of the other two partner organisations. The arrangements would be formalised into a set of SLAs between the lead partner and the other two partners. By way of illustration the following diagram shows this arrangement with Herefordshire Council as lead commissioner/provider:

**Advantages:**

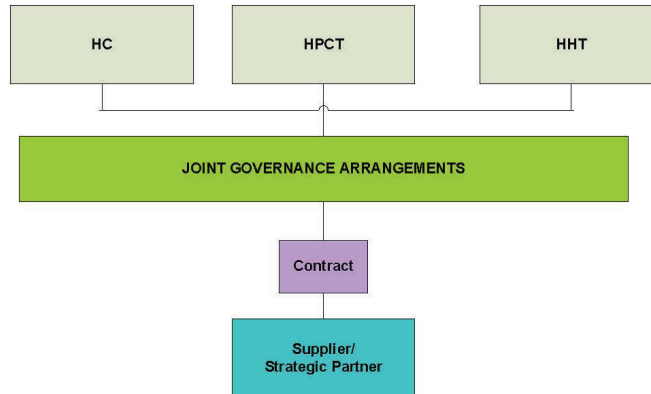
- The costs/benefits would be shared between the partners.
- Provided the SLAs do not constitute contracts for consideration, there should be no need for a formal procurement exercise unless the lead organisation commissions services externally.
- Potential to start off with limited scope allowing early realisation of 'quick win' savings. Different arrangements could be introduced for different services over time. Potential to move from provider to commissioner over time, if desired.
- Potential for employment costs savings to be achieved by co-location and integration of staff and bringing them onto a common set of terms and conditions.

Disadvantages:

- Majority of risks will be transferred to the lead partner organisation and/or risk allocation between organisations lacks certainty due to SLA structure.
- If binding contracts between Hereford organisations are considered necessary, this may trigger need to tender these contracts under the public procurement rules.
- Ability to deliver savings (and speed of their realisation) depends on appetite/ability to drive out efficiencies.
- Need to consider possible vires and governance issues.
- No collaboration on integration or forming a new common ethos.

2.3 Transfer the services to a private sector strategic partner:

The 3 partner organisations conduct a joint procurement exercise to appoint a private sector party to run the support services on behalf of the 3 partners. In contrast to 2.1 (where 3 totally separate contracts are awarded with no joint governance arrangements), the relationship with the strategic partner is managed on a joint basis – either through a contract board mechanism (see paragraph 3.1 below) or through a formal joint venture company (see paragraph 3.2 below).



Advantages:

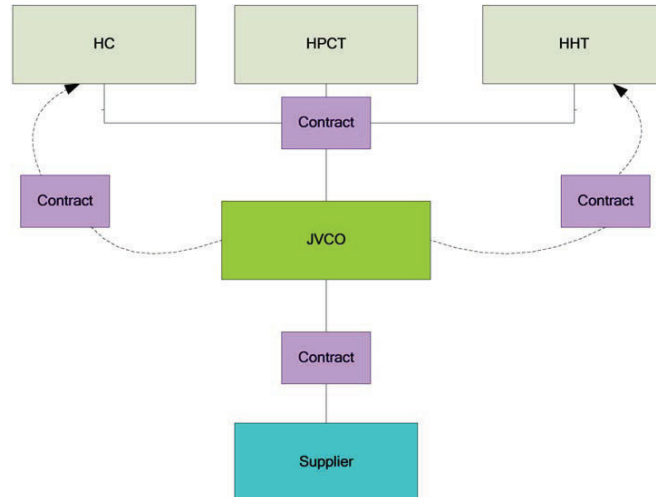
- Able to access skills and expertise which may not be available within the 3 partner organisations.
- Can contractually incentivise strategic partner to deliver efficiencies/transformation/other benefits. Strategic partner can be committed to delivering investment and achieving efficiencies.
- Can procure on behalf of other Hereford organisations who may join later.

Disadvantages:

- Appointment of strategic partner requires full OJEU procurement exercise which will take time and incur significant costs.
- Procurement rules require all services to be tendered and evaluated before contract signed, so this may constrain ability to transfer additional services into partnership later on and limit the extent to which other Herefordshire organisations with different service needs can join at a later date.
- Strategic partner likely to want medium/long-term contract to justify bid/investment costs.
- Even if only a joint contract board, there will need to be joint governance arrangements, and there will need to be an agreement on contribution/liability apportionment between the 3 partners.
- Consideration of vires/SHA sign off required (particularly if separate joint venture company established).

2.4 Establish public/public shared services entity:

The 3 partner organisations set up a shared services entity – a public/public joint venture acting as commissioner/provider – wholly owned (in agreed proportions) and closely controlled (by each of the partners). This JV would have its own separate legal identity, could both provide to and commission services on behalf of the partners, employ staff (on its own terms and conditions subject to TUPE compliance) and buy-in capacity and skills to supplement that transferring into it. For procurement reasons it could not provide services to third parties, save possibly to other public bodies which acceded as joint controlling entities. This could ultimately include an exercise to procure a strategic partner.



Advantages:

- Can be undertaken on a phased approach, perhaps initially with co-location and then with staff/assets (including buildings?)/services being transferred over time.
- No need for procurement exercise to set up JVCo, so savings can be delivered earlier. Opportunity, on transfer, to amend staff T&Cs and achieve immediate savings.
- Ability to 'pick and choose' right solution for each service – i.e. some delivered internally; some externalised.
- Can buy in additional capacity to deliver integration.
- Other Herefordshire public bodies can buy in/join in at any time.

Disadvantages:

- Ability to deliver savings (and speed of their realisation) depends on appetite/ability to drive out efficiencies.
- Establishment of JV will require focused engagement between 3 partner organisations and could take time to set up.
- More detailed consideration of vires/SHA sign off required.

3 Form of governance arrangements

Whichever option is selected, the 3 partner organisations will need to establish formal governance processes to regulate, for example, how the partners will share the risks/benefits of the shared services programme. This can be achieved as follows:

3.1 Joint procurement with a contract board:

If the shared services (and all the benefits from the programme) to be delivered by a single strategic partner require only limited formal joint working across the 3 partners (as commissioners or providers), a contract board model would enable the 3 partners to establish joint governance, procurement and contract management arrangements and enter into a single contract with a private sector strategic partner.

If it was agreed that this option was the most appropriate, the arrangements between the partners could be formalised within a formal agreement, but without the need to create a separate company. The agreement would cover all the issues identified in paragraph 4 below, together with issues such as composition of the board; disputes; etc.

3.2 Joint venture company:

3.2.1 Alternatively, to the extent any significant level of service transformation and joint provision is to take place through joint working, the 3 partner organisations could consider entering into a formal joint venture company. This could then act as commissioner alone (in the event a strategic partner is appointed), as provider of services or as commissioner/provider of services if a 'mixed economy' approach is selected.

3.3 Issues to consider if establishing a JV company:**(a) Vires/Powers**

Each party looking to participate in the JV will need to establish whether it has the legal powers (vires) to do so and obtain any necessary approvals (e.g. SHA signoff). A detailed analysis of the relevant powers is outside the scope of this report, but in principle we believe it would be possible for the Council to establish a joint venture entity, but the involvement of the PCT and HHT would need more detailed consideration and discussion with the SHA. We have experience of negotiating these arrangements, and they are possible, but the HHT powers of participation are more limited than those of the PCT and Council. In general our view is that this is challenging, but possible!

(b) Controls and delegation

All 3 partner organisations would need to be satisfied with the consequences flowing from the fact that the JV will have a separate legal capacity and will be able to make its own decisions, employ staff, enter into contract etc. The primary obligation of the directors of the JV (if it is a company) is to the JV itself. Conflicts of interest would therefore need to be considered. However, the procurement rules (under Teckal and the Court of Appeal ruling on LAML) would require that strategic shareholder control is maintained and appropriate shareholder rights would be included.

Other key issues include: the degree and nature of delegations; governance arrangements; roles and responsibilities of the participating entities; agreement of reserved matters (i.e. where the matter will be decided by the shareholders); how best to monitor the ongoing activities of the JV; the composition and role of the Board of Directors of the JV; appropriate mechanisms to deal with disputes between the participants; deadlock provisions may be needed to deal with situations where it becomes impossible for the JV to continue its business.

(c) Exit arrangements

The partners would need to consider the duration of the JV and what will happen when the JV is no longer needed or if it 'fails'. Exit provisions enable the participants in the JV to realise their investment and protect their interests if other participants wish to exit the JV or fail to meet their respective obligations.

Agreeing the exit provisions is often time consuming and thought should be given to the following questions early on in the discussions:

- Is the JV being set up for a specific task or duration? For example, if its sole function is to act as the governance arrangement for the letting of a contract to a strategic partner, can it continue to exist once that contract has expired/terminated?
- Should the JV agreement cater for both voluntary and compulsory exits?
- Are other entities allowed to join/exit the JV? If so, in what circumstances?
- How are management deadlocks or disputes to be resolved?

(d) Procurement/state aid issues

More detailed advice should be sought to consider the extent to which the procurement rules will apply to the formation of a public/public JV and what governance requirements (particularly shareholder controls) this will impose. Similarly, once the scope/activities of the JV are more clearly defined, advice would need to be sought as to whether there are likely to be any state aid issues which will need to be overcome.

4 Key inter-partner issues

The options set out in paragraph 2 are not mutually exclusive and it is possible to run concurrent procurement (and indeed provider) arrangements, or to phase transition to the full shared services environment using a combination of approaches. However, each of these options require detailed negotiations between the partners in order to establish some principles before embarking on a procurement exercise to find strategic partner or the shared transformation of services.

The key issues to be considered include:

- (a) Which of the above structures is most appropriate and will best help the partners achieve their

objectives?

- (b) Who meets what costs? How are the service charges allocated between the partners?
- (c) Who receives what benefits? To the extent cost savings are realised, how are these allocated between the partners – for example, if achieved via redundancies, does it depend which party originally employed the relevant staff? Or are they split proportionately by value of the services being provided to each partner?
- (d) Who carries what risks? For example – procurement risk? Non-performance risk?
- (e) Who employs which staff? And on what terms?
- (f) Who occupies which or who's accommodation? And on what terms?
- (g) How are competing service priorities resolved? Is the intention to have a 'vanilla' service/platform across all three partners? What is the process for agreeing changes?
- (h) What happens if it all goes wrong? What is the exit strategy for each service?
- (i) In what circumstances will the programme be extended to other public authorities? And on what terms?

The more of these questions which remain unanswered going forwards, the greater the risk of dispute later on. However, conversely, any attempt to resolve all potential disputes before embarking on the procurement or transformation journey, could halt progress. There needs to be a dialogue to establish broad parameters and agreement where possible and understand and manage the risks of later dispute etc.

5 Procurement processes

To the extent the 3 partners (or any JV company established by the 3 partners) decide to procure services from the private sector, these will need to be procured via a formal procurement procedure (assuming the contract value is over the relevant threshold). A decision would need to be taken as to which process to use, as this can have a significant impact on the cost and duration of the procurement exercise.

Competitive dialogue: – this is intended for use on complex projects where it is not possible to define the technical/legal/financial solution in advance. A dialogue phase allows parties to discuss and refine the approach, before calling for final tenders on the basis of agreed contract terms. The typical duration for a competitive dialogue procurement is 915 months (sometimes longer).

Restricted procedure: this can be used where the partners can clearly set out their requirements in advance, where the bidders are presented with a draft contract and are asked to submit a priced proposal. No negotiation of the contract is allowed once it has been issued to bidders, only clarification. The typical duration for a restricted procedure procurement is 69 months.

Accelerated restricted procedure: this reduces the basic minimum procurement timelines from 3 months to a minimum of 1 month and enables tenders to be conducted, typically in 2 to 4 months. It has been approved by the EU Commission for 'major public projects' procured during 2010 on the basis that speeding up the procurement process would provide a boost to the economy in the current financial climate. The application of the accelerated restricted procedure to a procurement has to be considered on a case by case basis.

Conclusion

Whichever route is followed the key to success is that there is a shared understanding and common purpose amongst the partner organisations. The governance arrangements can fit the purpose. Clearly incremental change is the least challenging to the culture and timetable, but may not deliver the required step change in performance or cost-saving. A balance will need to be struck.

In our view, the next step is to get engagement with the partners at an appropriate level, which must include financial as well as operational considerations; assess risk appetite and agree prioritisation of the objectives. From there it is possible to work up a detailed proposal which will deliver against those shared objectives within the timeframe.

The proposition is innovative, and very much at the cutting edge of local governance and local solutions to service delivery.

22nd January 2010

Final Business Case

Herefordshire Shared Services Strategy

14th August 2009



Executive summary

Over the last 3 months the Shared Services Project Team has been considering how to implement shared services in respect of its corporate support functions. This builds on the successful sharing already in place across the three organisations.

This work has now been completed and the Business Case – Management Summary was presented to the Programme Board on 6th August 2009. This confirmed the clear case for change and the meeting accepted the recommendations presented.

Context

The case for shared services can be referenced back to Sir David Varney's Report on Transformational Government and builds on the Gershon Efficiency Review.

More recently the findings of the Operational Efficiency Programme¹ (OEP), a year long programme examining operational spending in public sector delivery bodies, e.g. local government, the NHS, Police and schools, was published on 21 April 2009 by the Treasury. OEP indicates scope for £15billion of efficiency savings and in particular draws attention to increasing collaborative procurement, improving IT and merging back office functions. Regular operational reviews will be required to drive simplification and standardisation. Herefordshire's Shared Services Strategy will be a key part in meeting the requirements of the OEP.

In addition it is clear local government settlements will become more severe. Furthermore, the PCT and HHT are currently undergoing a review to establish a local provider organisation, which could impact on this strategy. Shared services, therefore, becomes critical not just to improve the quality of services but also deliver savings, provide capacity and innovation and introduce new skills and learning.

Finally, the Government's initiative on 'Total Place' is likely to have key impacts on the way services are delivered, encouraging more joint working and in which shared services will play a key role, as will the developments both in health and local government around strategic/world class commissioning.

Analysis

The analysis and interviews have indicated costs of corporate support services under review to be in the region of £19m and include 526 corporate staff. This does not include HC's

¹ HM Treasury Operational Efficiency Programme: Final report April 2009

Revenue and Benefits service, whose future inclusion was discussed and agreed at the meeting.

The benefits schedule (based on assessment of performance of each service) indicates a range of 104 to 140 staff reductions and cash savings of £4.2m to £5.4m per annum.

Services in scope are at various levels of maturity and the business case concludes that for ICT, Procurement, Finance, HR and Payroll there are major opportunities to deliver improved services and savings – some of which are quick wins.

A strategic partner or partners will be needed to improve quality of service, cost efficiency and sustainability.

We advise that process improvements should be linked to standardised systems software - such as a good Enterprise Resource Planning (ERP) system. Whatever ICT solution is favoured, the Council, PCT and HHT should take no decision to invest in standard software without fully considering seriously whether or not shared services are appropriate. Shared services will have a major impact on the software selected and the design and implementation programme. We have advised that a soft market test be undertaken with potential strategic partners for a number of reasons such as raising with them the question of their preferred ERP for the proposed shared services.

Roll-out should involve a trade off between speed and organisational disruption. As an aside, one of the most common pitfalls is in under-estimating the extent to which enabling technologies such as imaging, scanning and workflow may be needed in addition to a standard ERP package.

Detailed work has also identified that significant new skills will be needed in delivering this strategy; namely commercial management skills, specialist support for procuring a strategic partner(s), change management and organisational development skills. Making the transition depends on a skilful combination of management techniques; change management, project management and risk management.

As well as under-investing in appropriate skills during the transition, another common mistake is reducing the attention and resources devoted to managing the initiative once the implementation phase is complete. We strongly advise that the partners invest in the appropriate skills to manage the transformation of services to the proposed shared services environment.

Finally, costs for transition and implementation support have been estimated setting out two options, one for an internal team (approaching £2m) and the other for a mixed team (approaching £4m) which includes external specialist support.

High level plans

High level plans have been developed to take the project to implementation. We have set out in the business case an accelerated plan (which will need extensive risk management) and one which includes more careful preparations to ensure the partnership has a good state of preparedness in moving to the next phase.

Recommendations

Detailed recommendations are as agreed at the Programme Board meeting of 6th August 2009 (Management Summary included in Annex 1, p101). A series of actions required against each recommendation are proposed for early consideration - see page iv.

SRO recommendation

Since May of this year we have been assessing whether or not sharing corporate support services across Herefordshire Council, NHS Herefordshire and Herefordshire Hospitals NHS Trust is viable.

The work of the Shared Services Project has resulted in a very credible case in support of making the change. We estimate that in-scope services currently consume 526 FTE resources and £19M per annum. Transforming these services to a shared services environment could release between 104 and 140 FTE resources and £4.2 to 5.4M recurring savings.

The Programme Board has ratified the recommendation of the business case to move quickly to a soft market test with possible strategic partners.

Senior stakeholders have been involved throughout and subject to final approval from JMT, HHT management team, Cabinet, PCT and Trust Boards in September, a procurement exercise for one or more strategic partners can commence.

We estimate that at best we will have implemented the new arrangements by Spring 2010 and at the latest by Summer 2010. To make the change and do it within these aggressive timescales we will need to rapidly build a transition team that includes; commercial, programme management, human resources and change management skills.

We intend to appoint a commercial manager and shared services director as early as possible.

We will then build the right capability around these individuals so that we can make the change without jeopardising current levels of service.

Annie Faulder

SRO & Chair of Shared Services Programme Board

Recommendations agreed on 6th August 2009	Actions Required	Date to be completed
1) Proceed with shared services for a minimum of the agreed in-scope services	1) Confirm the agreed scope of services including any additional areas to be added	29 August 2009
2) Accept the 'outline business case' for the preferred option (as agreed at the models meeting) and range of costs and benefits predicted	2) Submit final business case in line with management summary presented on 6 August 2009. Detailed supporting information included in business case	14 August 2009
3) Move to the next stage of shared services through implementation of four service clusters:	3a) Convene a mobilisation meeting for procurement savings and agree:	4 September 2009
a) Secure immediate cost savings opportunities for procurement	<ul style="list-style-type: none"> - Sponsor for the work - Day to day project lead - 2 – 4 week planning phase to confirm savings targets, priorities and working arrangements 	
b) IT continue the transformation journey but further consideration should be given to timescales for implementation and opportunity for engaging with an ITO partner, especially if there are benefits in aligning BPO and ITO procurements	3b) Review ICT timescales	11 September 2009
c) BPO type services to secure a strategic partner and supporting ERP solution and ahead of this services should be simplified and standardised to secure early savings in line with the business case and benefits	3c) Plan the work to undertake the simplification and standardisation of services identified to secure early savings	11 September 2009
d) Progress the other services subject to planned reviews in some cases and recommended detailed reviews for others	3d) Plan to progress remaining services	11 September 2009

Recommendations agreed on 6th August 2009	Actions Required	Date to be completed
4) Adopt a Service Delivery Model with its three component parts: <ul style="list-style-type: none"> - Transition processing / routine services - Centre of excellence - Contract management 	4) Discuss the proposed Service Delivery Model with potential BPO and ITO strategic partners during the soft market test	Early October 2009, on completion of soft market test
5) Procure a strategic partner or partners for transactions / routine processing including a potential ERP solution. A soft market test exercise should be undertaken to: <ul style="list-style-type: none"> - Engage with potential partners - Assess appetite locally and nationally - Understand preferences for ERP solution - Assess advantages/disadvantages for them/HPS & HHT re delivery models - JV or traditional outsourcing route - Determine whether IT forms part of this package or should stand alone through the soft market test 	5) Plan and mobilise soft market test <ul style="list-style-type: none"> - Agree approach and timescale - Identify resources - Confirm with key stakeholders 	11 September 2009
6) Centres of excellence and contract management functions to be retained in-house and re-organised in relation to service need	6) Develop plan to design CoE's and contract management unit to enable implementation by December 2009	11 September 2009
7) Create a Shared Services Transition Team	7) Identify and appoint Shared Services Transition Team	11 September 2009
8) Appoint a Shared Services Transition Manager at Director level to work with the three organisations and drive the recommendations forward	8) Appoint Shared Services Director and agree with key stakeholders	11 September 2009 or as soon as possible
9) Establish a core team to scope out and undertake the 'simplification and standardisation' process work	9) Identify core team (link to 3c, 7 & 8)	11 September 2009

Recommendations agreed on 6th August 2009	Actions Required	Date to be completed
10) Establish shared services governance for the partnership	10) Develop and agree governance model for partnership with key stakeholders	4 September 2009
11) Mobilise a procurement project to secure the predicted savings a) Appoint a commercial manager to provide strategic leadership including contract management and delivery of innovative commercial solutions b) Merge procurement savings activity under one governing body (combining benefits work on Connects/Shared Services/Other activities) c) Undertake a rapid implementation planning exercise to prioritise savings opportunities and delivery plans d) Formalise combined procurement targets and delivery programmes and agree with the partnership e) Mobilise with quick wins targeted to deliver by April 2010	11) Plan to mobilise procurement project (link to 3a) a) Recruit commercial manager – prepare job role – agree process b) Part of mobilisation meeting (link to 3a) c) As above d) As above e) Confirm quick win targets	4 September 2009 As soon as possible 4 September 2009
12) Adopt preferred high level plan	12) Review base and accelerated transition plans in business case and confirm preferred option	9 October 2009 4 September 2009

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Appendices are provided as a separate electronic document

Appendix A: Services information

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- A.2 Business area assessments (BAAs)
- A.3 Services matrix
- A.4 Services to share selection
- A.5 List of key stakeholder meetings

Appendix B: Presentations

- B.1 Procurement service update (16th July 2009 SSPB)
- B.2 Introduction to category management
- B.3 ICT service update (16th July 2009 SSPB)
- B.4 Models and options paper (27th July 2009)
- B.5 Shared services experience (25th June/2nd July 2009 SSPB)
- B.6 Output from visioning workshop (4th June 2009)
- B.7 Business case management summary (6th Aug 2009 SSPB)

Appendix C: Transition planning

- C.1 Transition plan
- C.2 Truncated transition plan
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1 Introduction

This document describes the Shared Services Strategy development and recommendations for Herefordshire Council, Herefordshire Primary Care Trust and Herefordshire Hospitals NHS Trust.

1.1 Foreword

Herefordshire Council (HC), Herefordshire Primary Care Trust (PCT) and Herefordshire Hospital NHS Trust (HHT) are embarking on a radical process of change by creating a strong partnership, intended over time to lead to the creation of a joint approach to the delivery of public services.

Building on successful sharing already in place across the partners, there is a desire to further develop and confirm a shared services strategy and to adopt this as a strategic route to realise the vision for Herefordshire Public Services. Herefordshire Public Services (HPS) refers specifically to HC and PCT.

As such, a shared services strategy development was commissioned for completion in Q3 2009.

Herefordshire Community Strategy

"Herefordshire will be a place where people, organisations and businesses work together within an outstanding natural environment to bring about sustainable prosperity and wellbeing for all."

Herefordshire Public Services

"Working together to deliver efficient, excellent services and improved outcomes for the people of Herefordshire."

There are four key elements:

- Improved outcomes for local people
- Excellence in service delivery
- Focus on customers' and patients' experience
- Being efficient and delivering value for money

1.2 Purpose

The purpose of this business case is to:

- Outline the background and objectives to the HPS & HHT shared services strategy
- Establish the scope of services under consideration and associated rationalisation
- Describe the approach, models and options evaluated
- Establish the preferred solution(s) and high level transition plan.

The document contains recommendations for planning and implementing a shared service and has been prepared for submission through the Herefordshire approvals process. Firstly, for review by the

Shared Services Programme Board (submitted and agreed at its meeting of 6th August 2009), then by JMT, Cabinet, HHT Management, PCT and Trust Boards in September.

1.3 Scope

There are a number of criteria used to determine which services are sharable across the three organisations. Each service was reviewed individually and deemed in scope if it met some or all of the following criteria:

- High volume transactions
- Duplication of tasks/effort
- Not a customer-facing service, i.e. service provides support for front line service delivery
- Spread across numerous geographical locations
- Routine/standard services
- Multiple hand-offs and rework
- Opportunity for improvement against available benchmark data

Within the strategy development, the impact between ICT and the Connects programme was also taken into consideration to ensure that there were no conflicts or duplication in benefits claimed between the two programmes.

Following discussions with managerial and operational staff across the three partners, 12 services were confirmed as in scope for the Shared Services programme:

- Finance
- Procurement
- ICT Services
- Human Resources
- Payroll and Expenses
- Estates
- Transport
- Internal audit
- Legal
- Printing & distribution
- Communications & PR
- Emergency planning

There are some services which we would ordinarily expect to see in scope for a Shared Service review such as Revenues & Benefits and Learning & Development. Although these services are out of scope, a simplified assessment has been made on their potential for sharing.

1.4 Governance

The primary decision-making body for the strategy development is the Shared Services Programme Board (SSPB), comprising senior representatives from the three organisations.

Recommendations are reported directly to the JMT of both HC and PCT. Recommendations are communicated to the HHT board via a senior representative who sits on the Shared Services Programme Board. The programme/project governance structure is outlined in Figure 1 below.

Figure 1: Governance structure

A. Faulder SRO & SSPB Chair		
A. Heley, F. Steele K. Hunter PA Advisory	M. Teale Project Director	D. Powell, M. Pert & J. Howden Organisation Leads
Mixed HPS / PA Project Team	A. Holmes / A. Shale Project Management	Organisation Domain Experts

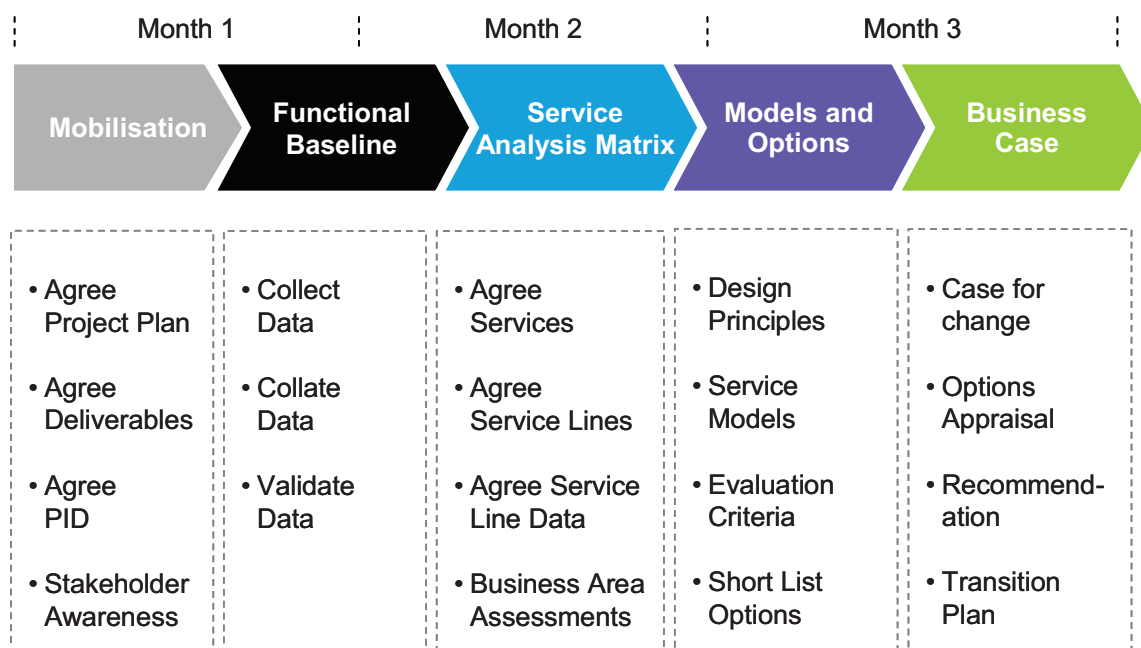
The extended project team comprises of HPS & HHT project management and organisation domain experts supported by PA Consulting Group resources providing specialist expertise. In addition to the core project team, senior stakeholders and operational staff from across the partners have been extensively engaged in the development of the strategy.

The SSPB meets face-to-face on a monthly basis and attends a weekly teleconference with the wider project team.

1.5 Process/timeline

The strategy development programme commenced on 11th May, with five workstreams undertaken over the duration of the three month programme. The broad timing and high level activities associated with these workstreams are outlined in the diagram below.

Figure 2: Workstream timing and activities



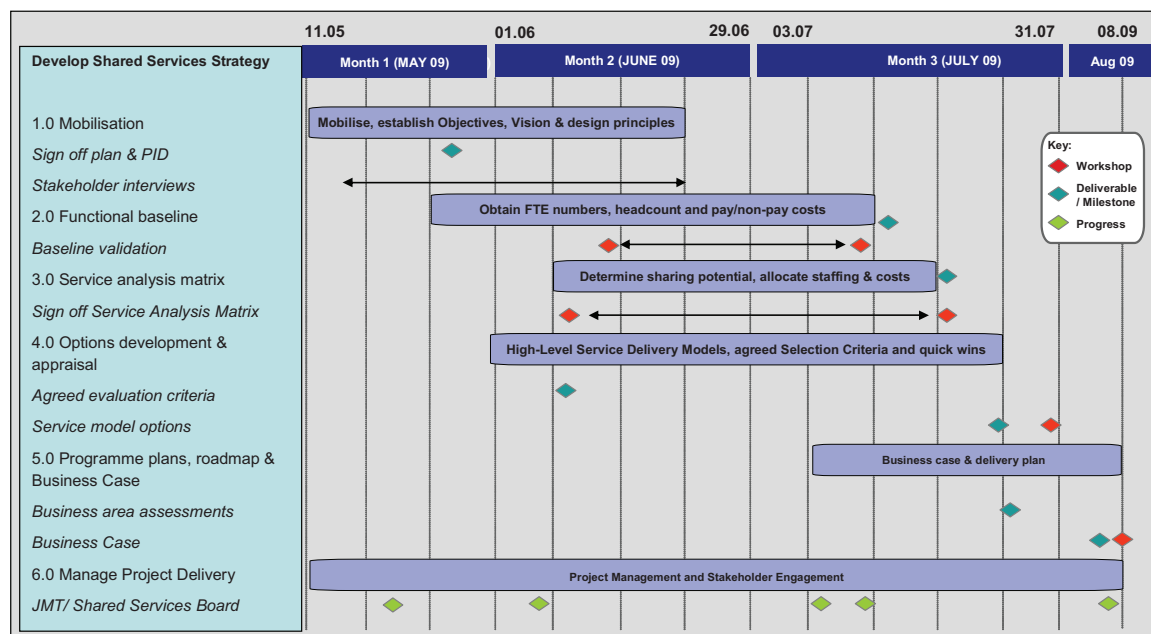
In reality, there was a high degree of overlap in the programme – particularly in creating the functional baseline and service analysis matrix development.

The approach used to undertake the high level activities above has been very interactive:

- Mobilisation: numerous one-to-one interviews with senior stakeholders and functional heads were undertaken
- Functional baseline: working meetings with functional heads on a one-to-one basis
- Service analysis matrix: working meetings with functional heads on a one-to-one basis and in cross-organisational functional workshops
- Options development and business case: communications and workshops with senior staff, Programme Board and JMT/Executive Teams across the three organisations

A more detailed plan identifying key workstream activities, workshops and deliverables carried out over the duration of the strategy development is shown below.

Figure 3: Plan with activities, workshops and deliverables



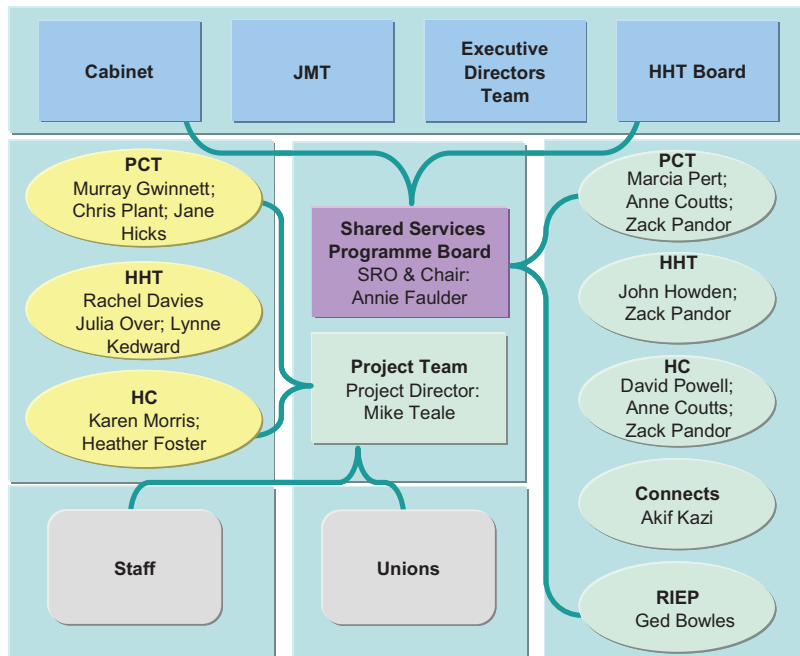
1.6 Engagement

Throughout the programme, engagement with staff across all three organisations has been a key element of the working activities to:

- Obtain and maintain support from key stakeholders
- Build buy-in to the solution from middle management
- Communicate:
 - Strategy development progress to Members and management teams through update meetings

- Progress to staff and unions through regular briefings with the opportunity for them to raise issues and concerns to be addresses
- A summary of the principal stakeholders engaged during the strategy development is detailed in the diagram below.

Figure 4: Key stakeholder engagement



Stakeholder engagement has ensured that those directly involved in the strategy development programme have been able to shape the outcome of the solution as the programme has progressed:

- Mobilisation: views and opinions from interviews helped to shape the design principles and selection criteria
- Functional baseline: existing headcount, pay and non-pay costs and allocation by function signed off by appropriate organisation contacts
- Service analysis matrix agreed with stakeholders: establishing which service lines could be shared across the organisations and hence what headcount and costs were in scope
- Business Area Assessments for each service were produced in consultation with heads of service to capture opportunities for sharing, identify enablers/blockers and gather opinions and concerns
- Options development and business case fed back at regular intervals: reviewing options, shaping the delivery model for each service, facilitating input to and agreement of the shared service strategy.

In addition, working closely with the Herefordshire Connects programme ensured a thorough understanding of any impact between the two programmes.

Throughout the process, the SSPB were involved in workshops and meetings to shape direction, agree findings and endorse recommendations. A list of key stakeholder meetings can be found in Appendix A5.

2 Case for Change

This chapter describes the key drivers for change in the way that corporate support functions of the three organisations operate. It then gives an overview of the relative scale of those functions in scope of the review, before considering each in turn in some detail. Each service is compared to best practice benchmarks in order to identify a 'performance gap' that indicates the performance improvement and magnitude of savings possible.

2.1 Key drivers for change

Like many public sector bodies, there are significant pressures not only to reduce costs but also to improve front line services to the customer.

Government funding cuts are widely anticipated in light of the broader economic context and in Herefordshire there are other issues that put further pressure on funding; the ageing population increasing demand for specific services, a high proportion of people in the region employed within the Council, PCT and HHT and the need to retain skilled staff in a relatively low paid region.

It is clear that corporate support functions need to be able to provide a high **quality** service to their customers at a **cost efficient** price point and in a **sustainable** manner, such that resources can be released to maintain and improve the quality of front line service provision as budgets are reduced.

Discussions and workshops were held with key stakeholders early in the strategy development process to identify the vision, issues and drivers that would shape the approach. These translate into specific objectives for HPS & HHT and for the Shared Services Programme; discussed in chapter 3. Slides and outputs from these workshops are provided in Appendix B6.

2.2 Services in scope

The three organisations have 4,593 full-time equivalent staff and expend £745m per annum (see Figure 6). Of that, we estimate that total corporate support services consume around £33m, of which £25m is staff costs accounting for 865.7 FTEs (see Figure 5). The Services Matrix in Appendix A3 contains further detail.

Figure 5: Total corporate support services including breakdown of out of scope services

	FTE				Employee costs			
	HC	PCT	HHT	Total	HC	PCT	HHT	Total
In-scope services	354.3	121.8	50.2	526.4	£10,179,349	£3,674,827	£1,648,422	£15,502,597
Supplies	0.0	0.0	0.7	0.7	£0	£0	£12,612	£12,612
Finance (Treasury mgt, stat. reporting)	8.9	0.5	1.6	11.0	£259,913	£15,425	£67,987	£343,325
Corporate Programmes	12.7	0.0	0.0	12.7	£513,321	£0	£0	£513,321
Benefits & Exchequer	96.8	0.0	0.0	96.8	£2,065,485	£0	£0	£2,065,485
(Legal &) Democratic Services	42.1	0.0	0.0	42.1	£1,280,522	£0	£0	£1,280,522
Policy & Performance Mgmt	19.2	0.0	0.0	19.2	£707,049	£0	£0	£707,049
Customer Services	67.7	0.0	0.0	67.7	£1,641,573	£0	£0	£1,641,573
Performance	0.0	12.5	0.0	12.5	£0	£349,818	£0	£349,818
Training	0.0	42.5	17.4	59.9	£0	£1,211,044	£429,238	£1,640,282
Clinical Coding	0.0	0.0	7.6	7.6	£0	£0	£196,083	£196,083
Information	0.0	0.0	9.2	9.2	£0	£0	£329,294	£329,294
Total out of scope services	247.5	55.5	36.4	339.3	£6,467,863	£1,576,287	£1,035,214	£9,079,364
Total	601.8	177.3	86.6	865.7	£16,647,212	£5,251,114	£2,683,636	£24,581,961

Considering just the support services deemed to be in scope:

- They consume £18.95m or 2.5% of gross expenditure (note this includes non-pay direct costs)
- They account for 526.4 FTEs, which is 11.5% of the total.
- HC has nearly double the FTEs and expenditure relating to in-scope services than that of the PCT and HHT combined.

Figure 6: Share of FTE resource and Gross Expenditure

Organisation	Total		In scope		Organisation	Total		In scope	
	FTE	% Share	FTE	% Share		£M	% Share	£M	% Share
HC	1,837	40.0%	354.3	7.7%	HC	366.06	49.2%	12.08	1.6%
PCT	1,209	26.3%	121.8	2.7%	PCT	274.52	36.9%	4.84	0.6%
HHT	1,547	33.7%	50.2	1.1%	HHT	104.15	14.0%	2.02	0.3%
Total	4,593	100.0%	526.4	11.5%	Total	744.72	100.0%	18.95	2.5%

The largest in-scope services include ICT, Finance & Procurement, HR & Payroll and Estates, together accounting for 85% of in-scope services FTEs, almost 2/3 of which relate to HC (see Figure 7).

Other services have lower numbers of FTEs due the nature of the services and because they are outsourced in one or more of the partner organisations.

Figure 7: FTE resource by in-scope service

FTEs	HC	PCT	HHT	Total	% Share
ICT	103.1	53.7	-	156.7	29.8%
HR & Payroll	72.5	11.0	29.4	112.9	21.5%
Finance & Procurement	52.4	39.8	15.4	107.7	20.5%
Estates	55.3	10.5	3.9	69.7	13.2%
Transport	26.8	6.8	0.1	33.7	6.4%
Legal	21.6	-	-	21.6	4.1%
Internal Audit	9.9	-	-	9.9	1.9%
Comms/PR	8.6	-	1.2	9.8	1.9%
Emergency Planning	4.1	-	0.2	4.3	0.8%
Printing	-	0.1	0.1	0.1	0.0%
In-scope total	354.3	121.8	50.2	526.4	100.0%

ICT, Finance & Procurement, HR & Payroll and Estates have annual expenditures in excess of £3m, accounting for 82% of in-scope services expenditure, 60% of which relates to HC (see Figure 8).

Of the other services, Legal and Transport have annual expenditures in excess of £1m.

Figure 8: Total directly attributable costs by in-scope service

Total costs (£M)	HC	PCT	HHT	Total	% Share
ICT	3.24	2.22	-	5.46	28.8%
HR & Payroll	2.05	0.55	0.83	3.43	18.1%
Finance & Procurement	1.61	1.35	0.74	3.70	19.5%
Estates	2.36	0.31	0.25	2.92	15.4%
Transport	0.92	0.18	0.02	1.12	5.9%
Legal	0.91	0.16	0.07	1.13	6.0%
Internal Audit	0.39	0.07	0.08	0.54	2.8%
Comms/PR	0.44	-	0.04	0.47	2.5%
Emergency Planning	0.17	-	0.01	0.18	0.9%
Printing	-	0.00	0.00	0.00	0.0%
In-scope total	12.08	4.84	2.02	18.95	100.0%

The three organisations already work very closely in a number of areas; for example, HHT provides the Payroll function to the PCT, and the PCT funds one FTE in the Comms & PR team at the Council. Each partner has a slightly different approach to providing corporate support functions; these are covered in detail in the service assessments (section 2.3) and are summarised in Figure 9 below.

Figure 9: Current service provision

Service Line	HC	PCT	HHT
1 Procurement	In-house	In-house	In-house
2 Finance			
2.1 Financial Accounting	<i>In-house</i>	<i>In-house</i>	<i>In-house</i>
2.2 Accounts Receivable	<i>In-house</i>	<i>Shared</i>	<i>Shared</i>
2.3 Accounts Payable	<i>In-house</i>	<i>Shared</i>	<i>Shared</i>
3 HR	In-house	In-house	In-house
4 Payroll & Expenses	In-house	Shared	Shared
5 ICT	Shared	Shared	Shared
6 Estates	In-house	Mixed in/out	Outsourced
7 Transport	In-house	In-house	Outsourced
8 Internal Audit	In-house	Outsourced	Outsourced
9 Legal	In-house	Outsourced	Outsourced
10 Printing & Distribution	Outsourced	Outsourced	Outsourced
11 Comms/PR	Shared	Shared	In-house
12 Emergency Planning	Shared	Shared	In-house

2.3 Service and business area assessments (BAA)

For each business area we summarised the opportunity for shared services and provided specific commentary on each. These are included in Annex 2 (p102) and formed the basis of our analysis. Each BAA was reviewed and signed off by operational leads and senior stakeholders.

This section assesses each of the in-scope services by current performance (both financial and non-financial) using the content of the BAAs and a series of benchmarks and metrics. The gap to top-quartile performance is then calculated and discussed; this represents the potential saving possible from a successful transition to a shared service or other top-performing service delivery model. The discussion then explains where these performance improvements are expected to be found.

2.3.1 Procurement

Summary

- This section contains an outline of the case for change for procurement (excludes commissioning). A more comprehensive analysis is included within Appendix B1.
- Procurement accounts for just 5 FTEs across the partners
- The Herefordshire partners are heavily reliant on external purchasing consortia
- Currently senior strategic procurement capability in all three partners is under-resourced
- A centralised, focussed strategic procurement team could deliver savings of circa £890k

Size and scope

Procurement as a function engages just 5 FTEs across the three partners and so only 1% of the in scope FTEs. Within the procurement function there are two service groupings: 'Requisition to receipt' (transactional procurement) and 'Undertake strategic procurement'. Here we focus on strategic procurement.

Table 1: Summary of key Procurement figures

	HC	PCT	HHT	Total
Central procurement/ supplies team FTEs	2	1.7	1.6	5.3
Non-pay expenditure	£220m	£230m	£40m	£490m
3rd party payments, purchased healthcare etc	£120m	£216-220m	-	£336-340m
'Influenceable' expenditure	£100m	£10-14m	£40m	£150-154m
Estimated weighted savings potential	£500k	£130k	£260k	£890k

Performance appraisal

There are areas of good practice and strong capability, such as the high degree of transparency and control over the portion of the PCT's expenditure that flows through the EROS system. However, when compared to other public and private sector organisations the limitations of the three entities' current procurement operations are clearly apparent. These comparative shortfalls in procurement capability relate to three key areas of strategic procurement: capability and process, performance management and efficiency targets, and contract and supplier management.

Strategic procurement capability and process

The majority of organisations with a similar scale as the three partners would have a more substantial strategic procurement capability, defined as the ability to create and negotiate deals, understand and engage with markets, manage issues arising during contracts, and make decisions on exiting contracts should they be failing.

This capability is particularly weak in the Council, and it is not fulfilled by the alternative mechanism of West Mercia Supplies, whose influence over Council spend is relatively small and limited to utilities and some low-value categories.

HHT benefits from a more comprehensive external procurement service from providers such as HPC and NHS Supply Chain, however these organisations must also be considered as suppliers themselves whose services need to be managed. HHT requires significantly more strategic procurement capability.

Performance management and efficiency targets

Although some savings targets exist for procurement, e.g. savings from Connects programme, there is a need for more comprehensive performance management and accountability for procurement savings targets across the three partners.

The targeting of savings from procurement should become a “business as usual” activity, with savings targeted by category of spend, and procurement staff and managers being held accountable for the delivery of savings targets which are set within a formal process. Our experience is that organisations which operate under a regime of procurement savings targets, as many private sector firms and increasingly public sector organisations do, see a step change in procurement performance.

Contract and supplier management

Creating fit for purpose and cost-effective contracts does not, in itself, deliver the outcomes that buying organisations need. Contracts must be managed throughout their lifecycles in order to ensure that the intended outcomes are delivered, and to address changes either in the supply market, or in the customer’s requirements.

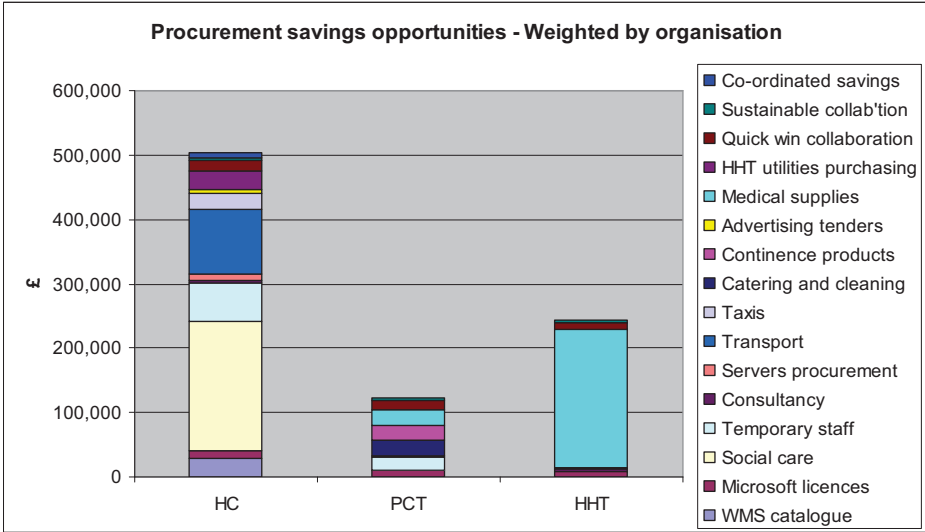
Contract management is a challenge for all organisations and it requires appropriate skills on the part of people letting and managing contracts; a suitable regime of targets and key performance indicators (KPIs); and governance which is appropriate to the strategic and cost impact of the contract.

Realising improvements

Savings will be delivered through improved procurement rather than a reduction in headcount.

- Improved procurement will quickly deliver substantial savings. Most of the benefits are cashable and based on benchmarks and our experience, and we are confident that they are achievable.
- Although more work is required to better understand the source and scale of savings, our analysis of the opportunity pipeline weighted by confidence (see Figure 10 below) suggests a short-medium term savings target of £890k.

Figure 10: Procurement savings opportunities



Our analysis of procurement across the three partners uncovered evidence of a substantial shortfall in strategic procurement capability. Current senior strategic procurement capability in all three organisations is under-resourced and the partners are too heavily reliant on purchasing agencies such as PASA. The anticipated move towards partnering or a joint venture arrangement will create an even stronger requirement for strategic procurement in support of an effective “client” function. This evidence suggests that unlike other functions within the proposed shared service, it will be necessary to increase resources to achieve savings.

In response to these change drivers, we have proposed a set of short term actions. These will commence the process of transformation and initiate the delivery of around £890k in incremental procurement savings. Set out in Figure 11 overleaf, these short term recommendations are to:

- Merge procurement savings activity under one governing body (combining benefits work on Connects and Shared Services)
- Undertake a rapid implementation planning exercise to prioritise savings opportunities and delivery plans
- Create and resource a new role of Commercial Manager with a remit to provide strategic leadership including contract management and delivery of innovative commercial solutions
- Formalise combined procurement savings targets and delivery programmes and agree with the partnership
- Mobilise with quick wins targeted to deliver by April 2010.

In the longer term, the transition to a co-ordinated procurement unit with increased resources will support the adoption of category management (to which appendix B2 sets out a best practice approach) and the delivery of substantially greater benefits.

Systems and processes should also be improved to support the shared service procurement function. IT will support delivery of commercial and category strategies and enable self-service for low value, routine procurements.

Figure 11: Plan for procurement service

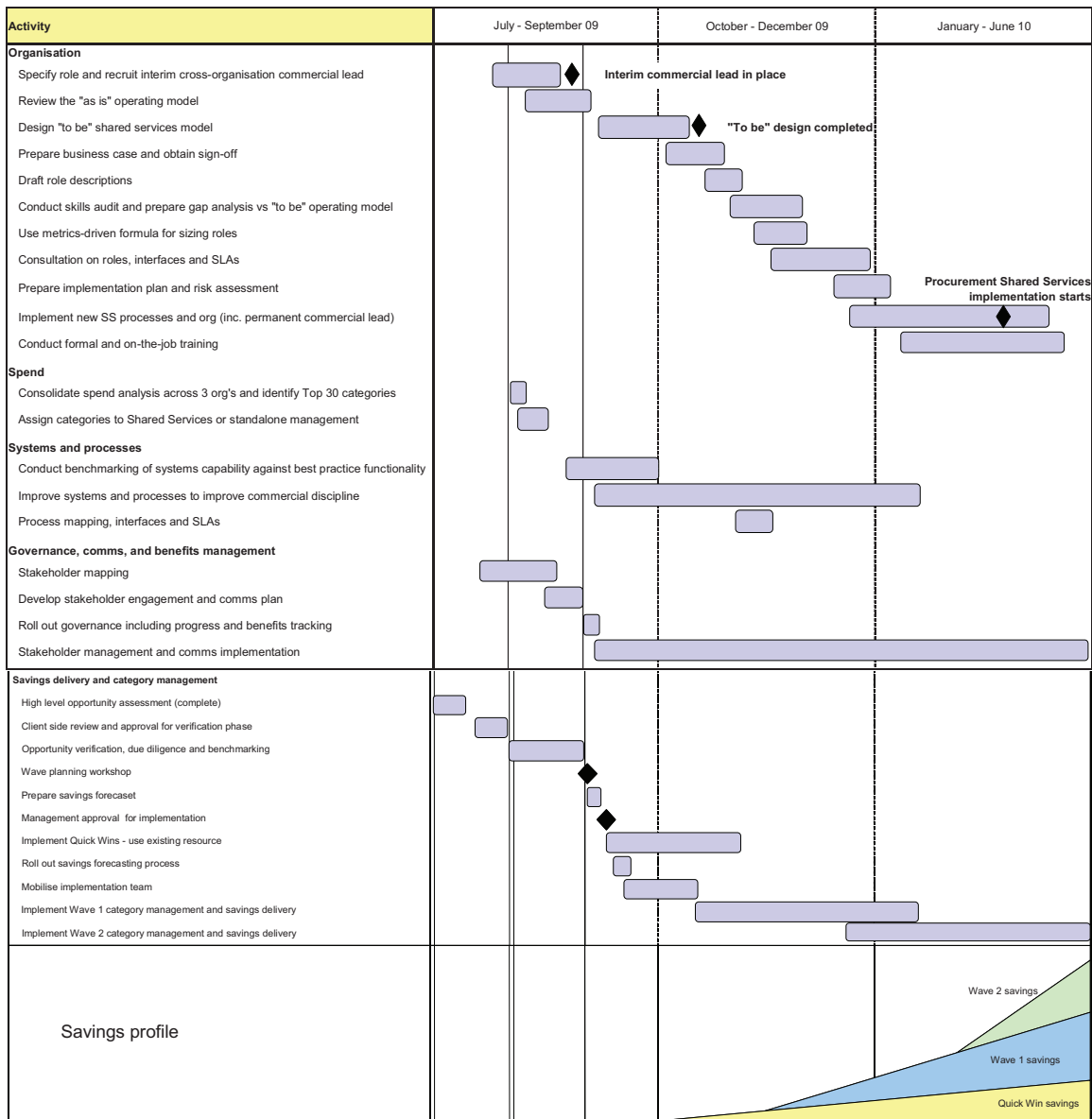
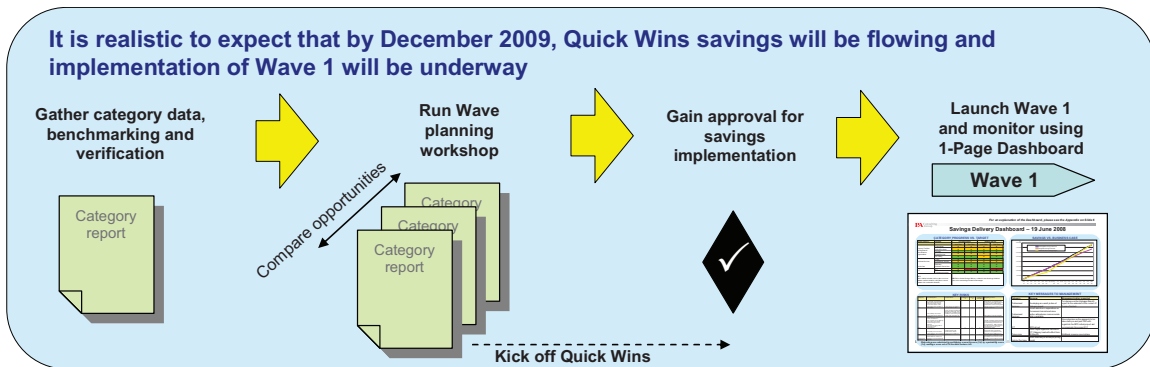


Figure 12: Realising quick wins



2.3.2 Finance

Summary

- Finance is the second largest in-scope service line at over 100 FTEs, of which Financial accounting makes up the majority
- Productivity and quality measures indicate performance around or below the median, while comparing the size of the functions to benchmarks indicates they are substantially larger than necessary
- FTE savings of 35 to 40 are thought possible, bringing savings of £1m to 1.2m per annum. Of those FTEs, approximately 2/3^{rds} would come from HC.

Size and scope

Finance is the second largest service in scope at 102 FTEs, employee costs of £3.1m and total directly attributable costs of £3.5m, accounting for 19% of the in-scope FTEs.

Of the three primary service groupings, Financial Accounting is by far the largest in each of the partners, providing budgeting, reporting, ledger maintenance and decision support service lines. The mainly transactional Accounts Payable and Manage Revenue Cycle (Accounts Receivable) service groupings account for 24 of the 102 FTEs in scope.

Figure 13: Resource consumption by service groupings

		HC			
		FTE	%	Total costs	%
2	Finance	50.40	100.0%	£1,536,212	100.0%
2.1	Financial Accounting	40.10	79.6%	£1,294,941	84.3%
2.2	Manage Revenue Cycle	4.20	8.3%	£124,000	8.1%
2.3	Accounts Payable	6.10	12.1%	£117,271	7.6%

		PCT			
		FTE	%	Total costs	%
2	Finance	38.10	100.0%	£1,291,150	100.0%
2.1	Financial Accounting	25.15	66.0%	£973,922	75.4%
2.2	Manage Revenue Cycle	2.00	5.2%	£54,904	4.3%
2.3	Accounts Payable	10.95	28.7%	£262,324	20.3%

		HHT			
		FTE	%	Total costs	%
2	Finance	13.83	100.0%	£704,930	100.0%
2.1	Financial Accounting	13.08	94.6%	£689,222	97.8%
2.2	Manage Revenue Cycle	0.00	0.0%	£0	0.0%
2.3	Accounts Payable	0.75	5.4%	£15,707	2.2%

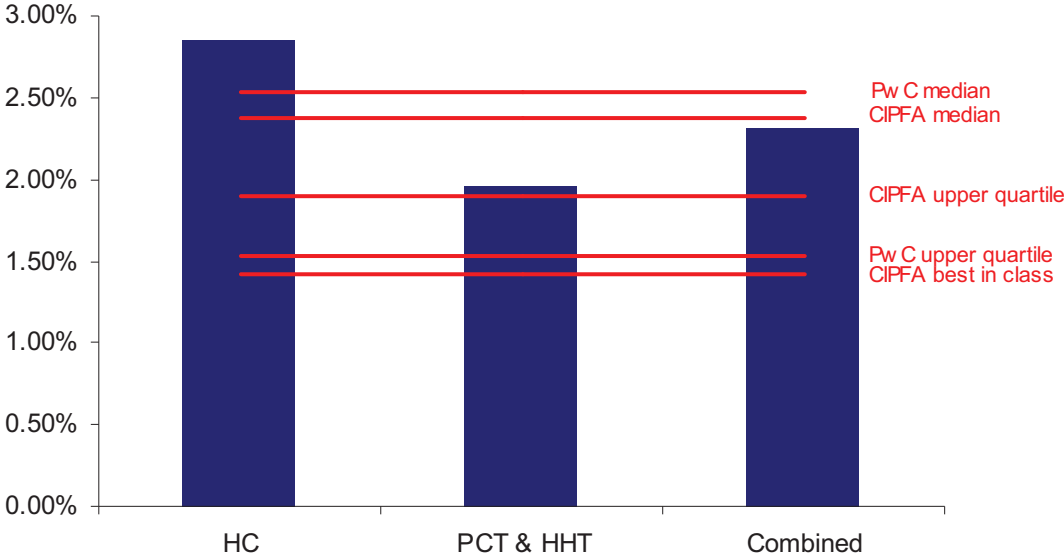
		Total			
		FTE	%	Total costs	%
2	Finance	102.33	100.0%	£3,532,291	100.0%
2.1	Financial Accounting	78.33	76.5%	£2,958,085	83.7%
2.2	Manage Revenue Cycle	6.20	6.1%	£178,904	5.1%
2.3	Accounts Payable	17.80	17.4%	£395,302	11.2%

Note: Treasury Management and Statutory Reporting are out of scope and thus not included here.

Performance appraisal

Benchmarking the size of the Finance functions relative to the organisation as a whole suggests that while both HC and the PCT/HHT (combined here to take account of the sharing already in place) are larger than perhaps necessary, this is most apparent at HC.

Figure 14: Benchmark - Total Finance FTEs as a % of Organisation FTEs



Note: HC figure excludes schools and finance staff supporting schools, but includes Statutory Accounting and Treasury Management to allow comparison with PCT/HHT and benchmark. Benchmarks from PwC Finance & Accounting Report 2006 and CIPFA Accountancy Benchmarking Club 2008 (Total FTEs per £m Gross Revenue Turnover scaled to give equivalent Total Finance FTEs as a % of Organisation FTEs).

Comparing productivity and quality benchmarks summarised in Figure 15 we see that performance is mixed, but generally around the median or below.

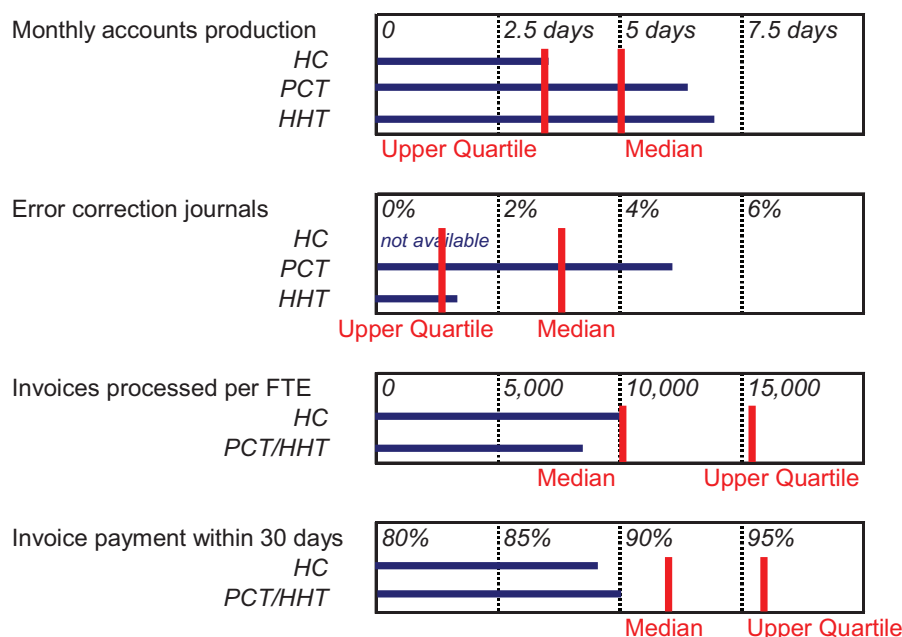
- HC distribute system-generated reports for operational manager review within 3.5 days. The PCT and HHT produce consolidated financial statements which have been through operational manager review including forecast within 6.5 and 7 days respectively. The upper quartile target is 3.5 days. The introduction of an ERP solution with leaner processes should enable all parties to reach upper quartile performance².
- The number of error-correction journal entries as a percentage of total is good at HHT. It appears high at PCT as post budget holder review corrections have been included. In general, these metrics will improve as information systems become easier to use, information quality from contributing units/directorates improves and/or a greater level of system integration³ is achieved. This measure has a direct impact on timeliness and accuracy when closing the books.

² Time to complete monthly consolidated financial statements: HC 3.5 days, PCT 6.5 days, HHT 7 days; AQPC median 5 days, upper quartile 3.5 days

³ Error-correction journal entries as a percentage of total: HC not available, PCT 4.88%, HHT 1.26%; PwC median 2.99%, upper quartile 0.97%

- In Accounts Payable, the key productivity metric 'invoices processed per FTE' is around the median at both PCT/HHT & HC⁴. At HC there are a large number of fractional FTEs in service directorates (estimated at 5 FTEs) preparing invoices before submitting to the central payments team, which is less efficient than entirely central processing. At the PCT/HHT there are high levels of manual interventions and non-value add activities. Neither team employs significant levels of automation (such as 3-way matching).
- Prompt invoice payment by both teams is marginally significantly below top-quartile performance at other Local Authorities⁵. Sub-optimal performance here is most likely caused by delays in approving invoices due to receipting discrepancies or inconsistent ordering.
- The Debtors CIPFA report indicates that HC maintain a broadly median level of productivity and cost effectiveness relative to their peers⁶. The PCT/HHT team is very small (2 FTEs) thus there is currently little opportunity for economies of scale, hence the poor 'invoices per FTE' productivity measure⁷.
- Financial Accounting average staff costs seem high at HHT (£49k versus £29k and £31k at HC and PCT respectively⁸), meriting further investigation.

Figure 15: Productivity and quality benchmarks



Note: Invoices processed per FTE at HC has been adjusted by 5 FTEs to account for effort preparing invoices in directorates.

⁴ Invoices processed per Accounts Payable FTE: HC 10,021, PCT/HHT 8,010; PwC median 10,391, upper quartile 15,395

⁵ Invoices paid within 30 days (BPVI 8): HC 90%, PCT/HHT 89%; CIPFA median 92%, upper quartile 96%

⁶ CIPFA Debtors Benchmarking Club 2009

⁷ Invoices processed per Debtors FTE: HC 5,872, PCT/HHT 874; CIPFA median 6,588, upper quartile 8,500

⁸ As calculated from Services Matrix

The performance gap

The gap in performance between leading Finance functions and the current state, and therefore the opportunity for saving by moving to a top-performing service delivery model, has been calculated using best in class and top-quartile benchmarks; see Figure 16 below.

Comparing the number of in-scope Finance FTEs currently (102.3) to a potential future organisation sized using benchmarks (62.0 to 66.9) indicates a 'gap' of 35.5 to 40.3 FTEs. This equates to between 35% and 39% reduction in headcount at a top level, but the figure below shows that two thirds of these would come from HC. The PCT and HHT are again considered together here due to the extent of sharing already in place.

This analysis indicates a large performance gap at HC, requiring the biggest saving from routine service lines. There is a significant, but smaller, performance gap of 28% at the PCT/HHT; these FTE savings would be more evenly split between Transactional and Centre of Excellence.

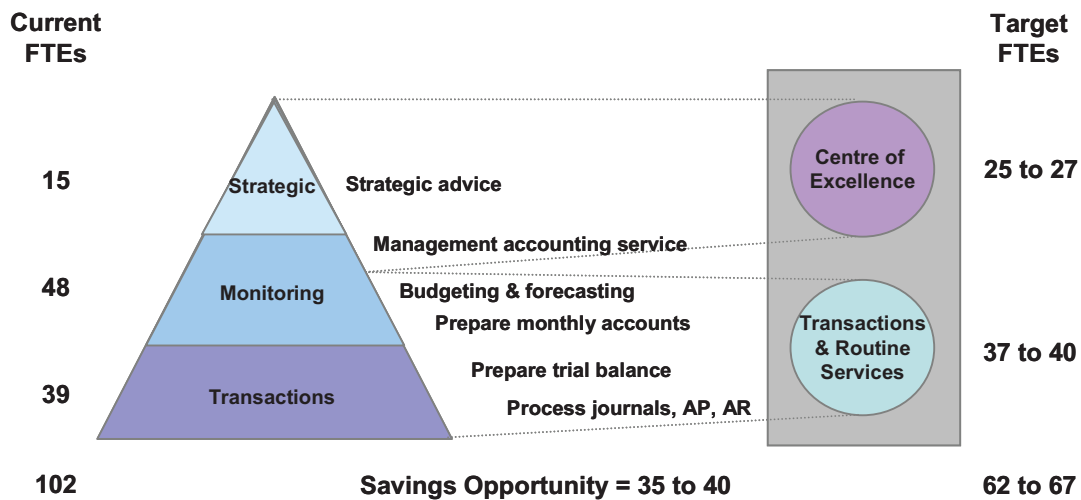
Figure 16: Performance gap to top-quartile Finance functions

	FTEs			Total Costs		
	HC	PCT/HHT	Total	HC	PCT/HHT	Total
Current State						
Routine Processing	33.1	30.3	63.4	£838,296	£897,629	£1,735,925
Centre of Excellence	17.3	21.7	39.0	£697,915	£1,068,600	£1,766,516
Total	50.4	51.9	102.3	£1,536,212	£1,966,229	£3,502,441
Target State						
Routine Processing	14.7	22.5	37.2	£372,548	£734,513	£1,107,061
Centre of Excellence	9.8	15.0	24.8	£396,317	£792,831	£1,189,149
Total	24.5	37.5	62.0	£768,866	£1,527,344	£2,296,210
Performance Gap						
Routine Processing	18.4	7.8	26.2	£465,748	£163,116	£628,864
Centre of Excellence	7.5	6.7	14.2	£301,598	£275,769	£577,367
Total	25.9	14.5	40.3	£767,346	£438,885	£1,206,231
% Reduction required						
Routine Processing	55.6%	25.7%	41.3%	55.6%	18.2%	36.2%
Centre of Excellence	43.2%	30.9%	36.4%	43.2%	25.8%	32.7%
Total	51.3%	27.9%	39.4%	50.0%	22.3%	34.4%

Target state size calculated from stretch target benchmark (Total finance FTEs as a percentage of total organisation FTEs: 1.42% - CIPFA best in class). Target size adjusted to add back schools support staff and remove out of scope Finance service lines, so as to be comparable with current state. Repeating this calculation with PwC top-quartile benchmark (1.53%) gives a target size of 66.9 FTEs and a performance gap of 35.5 FTEs.

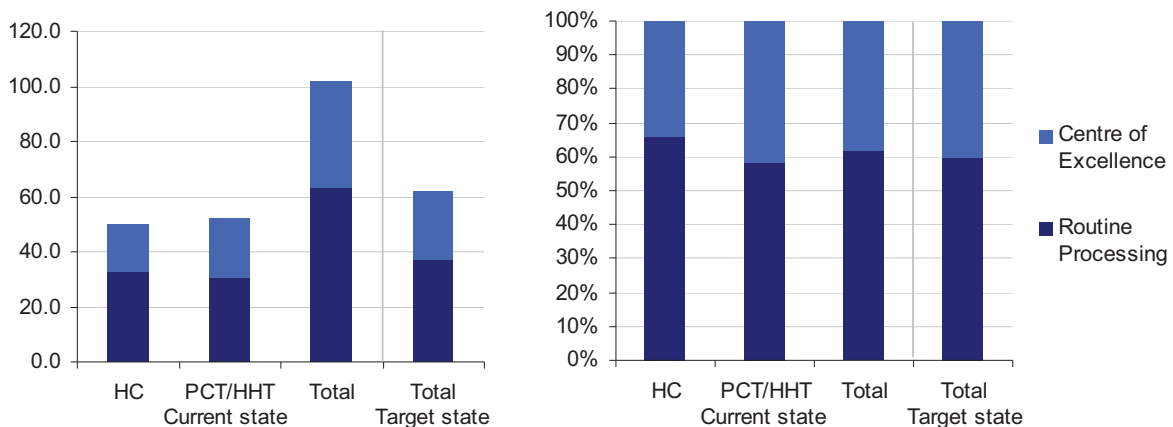
Under the proposed service delivery model, strategic advice to corporate centres and business units and other management accounting services would be provided by the Centre of Excellence; all other monitoring service lines would be incorporated with transaction processing in Transactions & Routine Services. The Centre of Excellence should remain in-house whereas Transactions & Routine Services could be provided by a strategic partner.

Figure 17: Mapping from current to target state



The proportional split in size of Routine Processing centre and the Centre of Excellence is suggested to remain similar to the current position.

Figure 18: Size and shape of current and target state Finance functions



Realising improvements

This difference or gap between the current state and a potential top-performing Finance function is explained by a number of factors covering technology, processes, people and the organisation.

A top-performing organisation would require an integrated systems solution offering a single point of data entry and a single point of access to consolidated data. Confidence that financial data is accurate and standing data is maintained is enabled through automated data validation and the implementation of monitoring and process controls. Self-service elements, such as on-demand production of management reports, ensure access to management information (MI) is both prompt and undemanding on support staff time.

In contrast, currently there are several examples across the three partners of where the structure of data in the core financial systems does not replicate the extant organisation structure or the structure within the payroll system.

Top-quartile performers use systems capable of fully integrated and automatic transaction processing such as 3-way (invoice, purchase order, receipt) matching and localised electronic receipting, thus removing the requirement for much manual transactional processing and allowing the team to focus on monitoring exceptions.

An optimised set of core processes will be simplified and standardised to make best use of resources and technology, minimising the time spent on non value adding activities (eg checking invoices, chasing approvals for invoice payment, verifying claims) and removing the need for manual interventions where possible.

Additionally, a consolidated organisation can avoid duplication of supervisory roles, further reducing the necessary headcount.

2.3.3 HR

Summary

- HR is the third largest function in scope for the shared service programme with 91 FTEs
- PCT has an appropriately sized HR function but HHT, and HC in particular, appear oversized
- Cost performance is poor across the three partners due to the high staffing levels. Performance on other KPIs is mixed.
- Significant opportunity for improvement exists around standardising, sharing and automating common HR processes

Size and scope

HR is the third largest service in scope. The combined HR functions account for 92 FTEs⁹ (17% of in scope FTEs). Employee costs are £2.3m and directly attributable costs are £2.8m.

HC has the largest HR function with 61 FTEs. For the PCT and HHT (11 FTEs and 20 FTEs respectively), the Learning and Development (L&D) function is out of scope for the shared service study so L&D FTEs have been excluded from their HR functions. Further analysis of the L&D Function is provided later in this report (see section 2.3.4).

Recruitment is devolved to service delivery teams at the PCT. Although there is one Recruitment FTE included in the analysis we estimate that there are at least 4-6 FTEs not accounted for in the numbers.¹⁰

Within the HR function there are three principal service groupings:

- Provide strategic input
- Provide HR Advisory Services
- Provide HR Transaction Processing Services.

Across the three partners the majority of FTEs (and FTE costs) are spread evenly over the Advisory Services and Transaction Processing service groupings. Provide Advisory Services consists predominantly of monitoring activities (eg employee relations, occupational health, recruitment advice and management information) whereas the Transactional Processing grouping consists of routine activities (eg recruitment administration and CRB administration).

⁹ Including FTEs at HC focused on schools and training and development

¹⁰ Actual recruitment FTEs is unknown. Estimated is based on assumptions about the number of recruitment FTEs required to fill PCT vacancies. We know that 8FTEs at HC handled 646 vacancies during 2008/09 so at least 4 FTEs would be required to fill the PCT's 327 vacancies during the same period. Given recruitment in PCT is not centralised it is likely to be less efficient than at HC.

Unlike HHT and HC where the balance between Advisory Services and Transaction processing is more or less equal, within the PCT there is a greater proportion of Advisory Services (73%) with particular emphasis on business partnering activities.

Figure 19: HR resource consumption

		HC			
		FTE	%	Total costs	%
3	HR	61.33	100%	£1,803,541	100%
3.1	Provide Strategic Input	2.00	3%	£256,187	14%
3.2	Provide HR Advisory Services	31.51	51%	£931,634	52%
3.3	Provide HR Transaction Processing Services	27.82	45%	£615,720	34%

		PCT			
		FTE	%	Total costs	%
3	HR	11.01	100%	£546,523	100%
3.1	Provide Strategic Input	0.00	0%	£108,385	20%
3.2	Provide HR Advisory Services	8.01	73%	£330,245	60%
3.3	Provide HR Transaction Processing Services	3.00	27%	£107,893	20%

		HHT			
		FTE	%	Total costs	%
3	HR	19.56	100%	£520,587	100%
3.1	Provide Strategic Input	1.00	5%	£41,292	8%
3.2	Provide HR Advisory Services	7.69	39%	£238,511	46%
3.3	Provide HR Transaction Processing Services	10.87	56%	£240,785	46%

		Total			
		FTE	%	Total costs	%
3	HR	91.90	100%	£2,870,651	100%
3.1	Provide Strategic Input	3.00	3%	£405,863	14%
3.2	Provide HR Advisory Services	47.21	51%	£1,500,390	52%
3.3	Provide HR Transaction Processing Services	41.69	45%	£964,398	34%

Note: Medical education centre and training and development within HHT are out of scope for the shared service study and are not included in these tables.

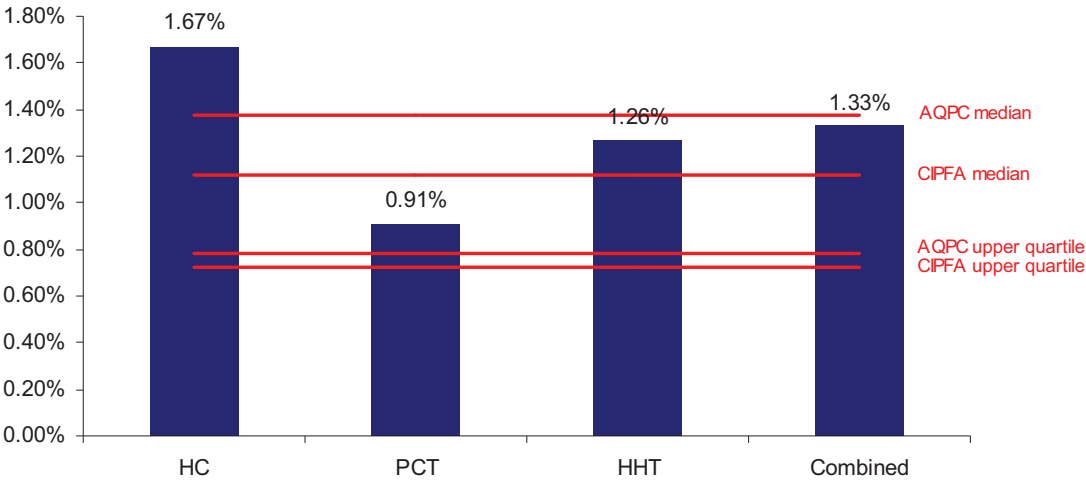
Performance appraisal

The benchmark used to gain a view of the size of the HR function is 'Total HR FTEs as a percentage of total organisation FTEs', where a low percentage is optimal. The target shared service performance is upper quartile. The AQPC upper quartile is 0.78% and the CIPFA upper quartile figure is 0.72%¹¹.

HC and HHT both perform below the CIPFA median at 1.67% and 1.26% respectively whilst the PCT performance is better, falling just short of the AQPC upper quartile target (see Figure 20).

¹¹ AQPC uses a cross industry sample group. CIPFA uses a Local Authority sample group.

Figure 20: Total HR FTEs as a % of organisation FTEs



Note: Benchmarks from adapted from CIPFA and AQPC¹²

Comparisons to the benchmarks suggest that HC HR function is very large relative to the size of the organisation, possibly indicating insufficient use of technology and/or labour intensive processes.

While HHT performance is comparable to both the CIPFA and AQPC median benchmarks, the PCT have a more appropriately sized HR function; although PCT performance is overstated as the recruitment function is devolved.

Notes to Figure 20

To gain an accurate comparison of size between the three partners we have made a number of adjustments to the data:

- Training and Development has been excluded from the analysis and is considered separately:
 - PCT training and development FTEs (42.5) are out of scope and are excluded from this analysis.
 - HHT medical education centre is out of scope. The 17.4 FTEs are excluded from this analysis.
 - Training and development FTEs within HC are within scope of the Shared Service programme. However, the 13.66 T&D FTEs within HC have been excluded from the analysis to enable accurate comparisons between the three partners.
- Council HR support for schools (17 FTEs) is considered within scope but has been excluded from the above analysis to enable comparison between the three partners.
- HR function size benchmark has been adjusted to remove a proportion of FTEs focused on learning and development. CIPFA benchmark indicates that learning and development in top performing organisations accounts for 0.25% of total organisation FTEs.

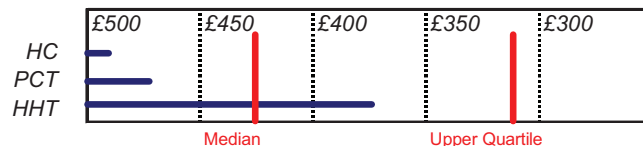
¹² Benchmarks have been adjusted to account for learning and development which has been excluded from the analysis. Based on Saratoga benchmarks a top performing HR function would have 0.25% of organisational FTEs delivering Learning and Development.

HC and PCT perform poorly on HR department costs per FTE (£491 and £469 respectively versus the median of £423). HHT perform somewhat better at £381 per FTE but still falls short of the £316 upper quartile figure (see Figure 21).

HR department costs are higher than they should be because of the number of FTEs within the HR functions. Despite salaries in Herefordshire being lower than average, employee costs make up more than 80% of total HR department costs.

Figure 21: HR department costs per FTE

HR Department costs per FTE



One of the principal measures of recruitment performance is time to fill vacancies. Both PCT and HC perform in the upper quartile on this measure, 38 days and 37 days respectively against an upper quartile of 39.5 days. Figures for HHT were not available during the study.

Figure 22: Average elapsed time (working days) from a vacancy to the acceptance of an offer

Average elapsed time (working days) from a vacancy to the acceptance of an offer

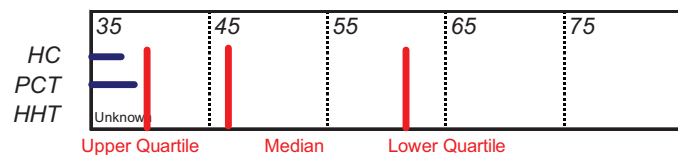


Table 2: HR Performance Indicators

Key Performance Indicator	Median	Upper Quartile	HC	PCT	HHT
Number of employees serviced by HR function FTEs (CIPFA)	89.3	138.72	59.90	109.81	79.09
Total HR FTEs as % of total organisation FTEs (CIPFA)	1.12%	0.72%	1.67%	0.91%	1.26%
HR department costs per FTE (Saratoga)	£423	£316	£491	£469	£381
Average elapsed time (working days) from vacancy occurring to acceptance of an offer for the same post (CIPFA)	47.5 days	39.5 days	37 days	38 days	Unknown
Cost of recruitment per vacancy (CIPFA)	£872	£610	£461	£877	Unknown
Average working days per employee (full time equivalent) per year lost through sickness absence (CIPFA)	9.3 days	7.2 days	8.9 days	9.8 days	9 days
Percentage of people that are still in post after 12 months service (CIPFA)	84%	89%	58.5%	84%	Unknown

The performance gap

The performance gap between the size of the current HR functions and the target HR functions has been calculated using CIPFA and AQPC benchmarks. Using upper quartile performance measures indicates a range for the size of the target function and hence a range for the potential savings.

Figure 23 below shows the upper range which is calculated using the CIPFA benchmark of 0.72% HR FTEs as a percentage of total FTEs.

Comparing the total number of FTEs (78.2) to a potential future organisation sized using the CIPFA benchmark indicates a gap of 28 to 31 FTEs. This equates to a headcount reduction of 36% to 39% of FTEs and £780k to £875k in total costs. The majority of the headcount reduction, around 20 FTEs, would come from HC.

The largest reduction would come from routine processing service lines where 16 to 17 FTEs and £194k to £220k savings could be made.

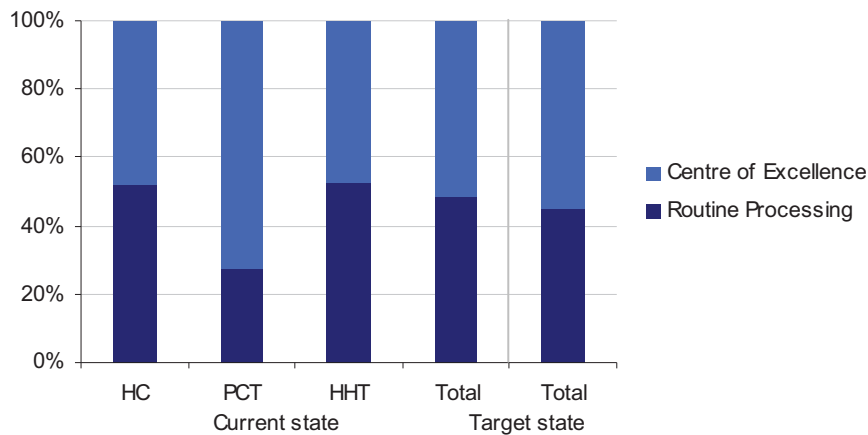
Figure 23: Performance gap to top-quartile HR functions

	FTEs				Total Costs			
	HC	PCT	HHT	Total	HC	PCT	HHT	Total
Current State								
Routine Processing	24.8	3.0	10.9	38.7	£246,308	£107,893	£240,785	£594,986
Centre of Excellence	22.9	8.0	8.7	39.6	£1,187,821	£438,630	£279,802	£1,906,253
Total	47.7	11.0	19.6	78.2	£1,434,129	£546,523	£520,587	£2,501,239
Target State								
Routine Processing	12.5	3.9	5.0	21.4	£123,595	£140,878	£111,029	£375,501
Centre of Excellence	15.2	4.8	6.1	26.1	£791,292	£262,173	£197,250	£1,250,715
Total	27.7	8.7	11.1	47.5	£914,887	£403,050	£308,279	£1,626,216
Performance Gap								
Routine Processing	12.4	-0.9	5.9	17.3	£122,714	£-32,985	£129,756	£219,485
Centre of Excellence	7.6	3.2	2.6	13.4	£396,528	£176,457	£82,552	£655,538
Total	20.0	2.3	8.4	30.7	£519,242	£143,472	£212,309	£875,023
% Reduction required								
Routine Processing	49.8%	-30.6%	53.9%	44.7%	49.8%	-30.6%	53.9%	36.9%
Centre of Excellence	33.4%	40.2%	29.5%	33.9%	33.4%	40.2%	29.5%	34.4%
Total	41.9%	20.9%	43.1%	39.3%	36.2%	26.3%	40.8%	35.0%

Note: excludes all training and learning and development staff (of which 13.66 FTEs at HC otherwise in scope). Includes 17 FTEs schools support staff. All 'HR Advisory' are categorised as CoE, possibly overstating CoE size as fractional elements are likely to be routine.

The shape of the HC and HHT HR functions are broadly in line with that of the target organisation. However, the PCT appears to be very focused on Centre of Excellence type activities (see Figure 24).

Figure 24: Shape of current and target state HR functions

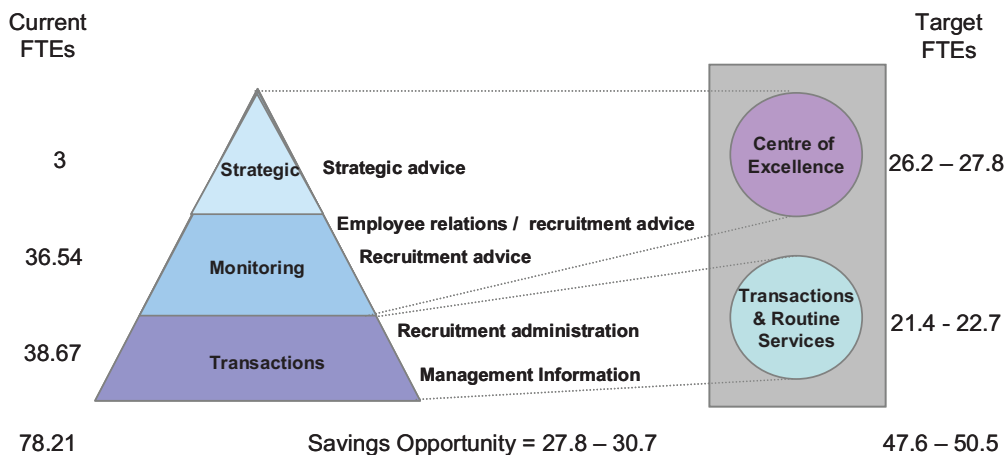


Realising improvements

The performance gap could be closed by moving to a shared service model. Strategic advice to corporate centres and business units would be moved into a Centre of Excellence serving all three partners. All advisory service lines (eg Employee relations and recruitment advice) could also be incorporated into a Centre of Excellence.

Activities which are transactional in nature, such as recruitment administration and management information, would move to transaction and routine services and could be provided by an outsourced supplier.

Figure 25: Mapping from current to future state



Note: 13.66 L&D FTEs excluded from HC; these remain in scope and would be split appropriately between CoE and T&R

Efficiency savings can be achieved through economies of scale gained by centralising, standardising and sharing common and repetitive transactional processes such as recruitment administration, employment contracts and management information.

Benchmarks show that the partners perform well on elapsed time to fill a vacancy. Centralising the recruitment team for the three organisations would lead to economies of scale and could lead to further process improvements gained from sharing best practice.

Creating a shared service 'Centre of Excellence' could deliver significant improvements by pooling expertise across the three partners to provide specialist HR advisory services which reflect their individual needs, with an emphasis on strategic HR support, governance and HR management.

The centre of excellence would:

- Provide strategic advice and input to the Executive teams in each organisation and offer day-to-day HR input into decision-making at the division/service level.
- Act as the front-line contact point for key stakeholders, such as trade Unions, residents, partner agencies, etc.
- Provide professional, expert advice on issues such as people management to support managers within services delivery teams
- Facilitate wider development opportunities and sharing of best practice across the partner organisations.
- Ensure optimal use of HR resources by distributing resources flexibly to respond to peaks and troughs in demand between the partners

Sharing of the HR function across the partners presents a major opportunity to leverage aggregate spend and negotiate more favourable terms for items such as advertisements, which can cost HHT £2k - £3k per vacancy when advertising in journals.

There is an opportunity for better contract management of agency staff. The PCT and HC currently spend an estimated 34% and 12.3% of total pay costs respectively on agency staff which is significantly higher than the upper quartile performance target suggested by CIPFA.

Implementing a common technology platform is key to achieving upper quartile performance within HR. An integrated HR and Payroll system (such as ESR as used by PCT and HHT) would provide a single data entry point, both improving efficiency and removing a source of error. This would have a significant impact on the high staffing levels apparent at HC.

The 'time to fill vacancy' benchmark varies between partners. There is an opportunity for all three partners to drive improvements from processes such as this through simplifying and standardising across the partners, making better use of technology and pooling resources.

Connects project benefits

BPR and consolidation of the HR function expects to realise savings of 17 FTEs and £424k per annum. Our experience suggests that although BPR will make a significant difference within the HR functions, particularly at the Council, further costs savings of around 10-15% could be achieved by moving to a shared service and remaining ambitious with savings targets.

2.3.4 Learning & Development

Learning and development within the PCT and HHT is out of scope and has been removed from the above HR analysis. However Learning and Development is worthy of further investigation owing to its size relative to HR.

Size and scope

The role of the learning and development teams differ between organisations. HC Learning and Development consists of a small corporate team and a larger team servicing adult and children’s social care. HC Learning and Development works with commissioning and provider services managers to support the professional development of social care across all sectors. Of the 13.66 FTEs in scope within HC, 2.46 FTEs work on external training activities and have therefore been excluded from this analysis.

As well as providing internal training the PCT also provides training services to external organisations including HHT, GP surgeries and dental practices. For the purpose of this analysis we have focused on the 5 FTEs providing internal training.

HHT has a large L&D team which provides corporate services and specific medical training.

Internal L&D accounts for 33.6 FTEs across the partners; around 0.73% of total FTEs¹³. The largest learning and development function belongs to HHT which accounts of 51% of all L&D FTEs. HHT are heavily staffed to provide specialist medical training to the hospital.

Figure 26: T&D resource consumption and size relative to organisation

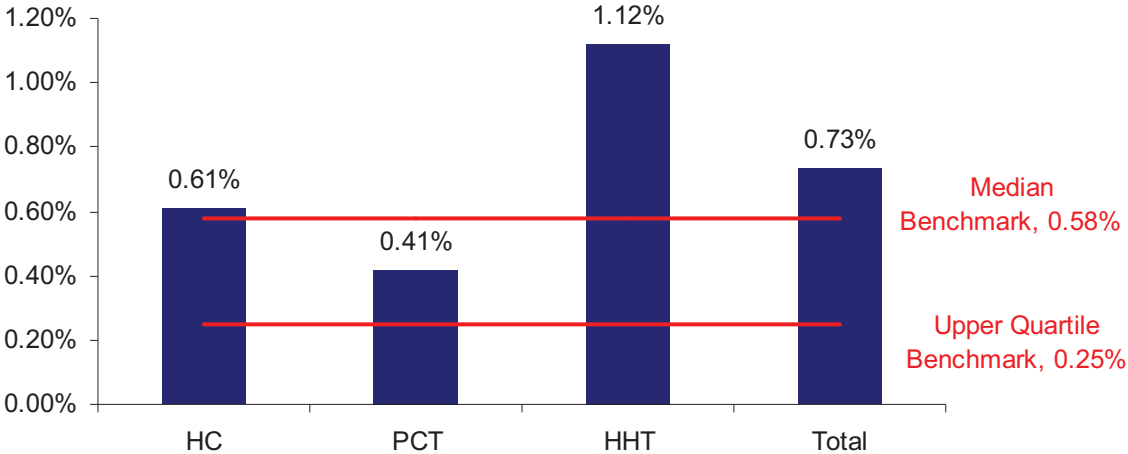
	HC	PCT	HHT	Total
HR FTEs (excluding T&D)	47.67	11.01	19.56	78.24
Training and Development FTEs	11.20	5.00	17.36	33.56
T&D FTEs as % of organisational FTEs	0.61%	0.41%	1.12%	0.73%
T&D FTEs as % of HR FTEs	19%	31%	47%	30%

Performance appraisal

Using Saratoga benchmarks we would anticipate top performing organisations to have a L&D team of around 0.25% of the total organisation FTEs.

¹³ The PCT training department consist of 42 FTEs. We have focused on the 5 FTEs who provide training services within the PCT.

Figure 27: Total L&D FTEs as a % of organisation FTEs



Although the PCT and HC are performing above the median, the benchmark suggests that all three Learning and Development functions are larger than they perhaps need to be.

Although there may be some opportunity to reduce the size of the Learning and Development function at HHT, the high number of resources required to deliver medical workforce training prevents HHT from achieving upper quartile performance. Further research would be needed in this area to compare medical training functions.

These reservations notwithstanding, if HC and PCT were to achieve upper quartile performance, savings of the order of 6.5 FTEs at HC and 2 FTEs at PCT could be realised.

Realising improvements

Further investigation is required to identify opportunities for savings. The partners could consider sharing co-ordination and administration activities for Learning and Development. A transaction processing centre could act as single point of contact for training; taking bookings, sending invitations, co-ordinating venues and equipment and collating feedback forms.

2.3.5 Payroll & Expenses

Summary

- Payroll is relatively small at 21 FTEs in total and mostly transactional in nature
- Currently, the HHT provides the payroll service for the PCT
- Both HHT/PCT and HC teams provide a fairly good quality of service at reasonable cost, but better use of integrated systems, self-service elements and pooling of resources could potentially close a performance gap of circa 2 transactional staff (11%).

Size and scope

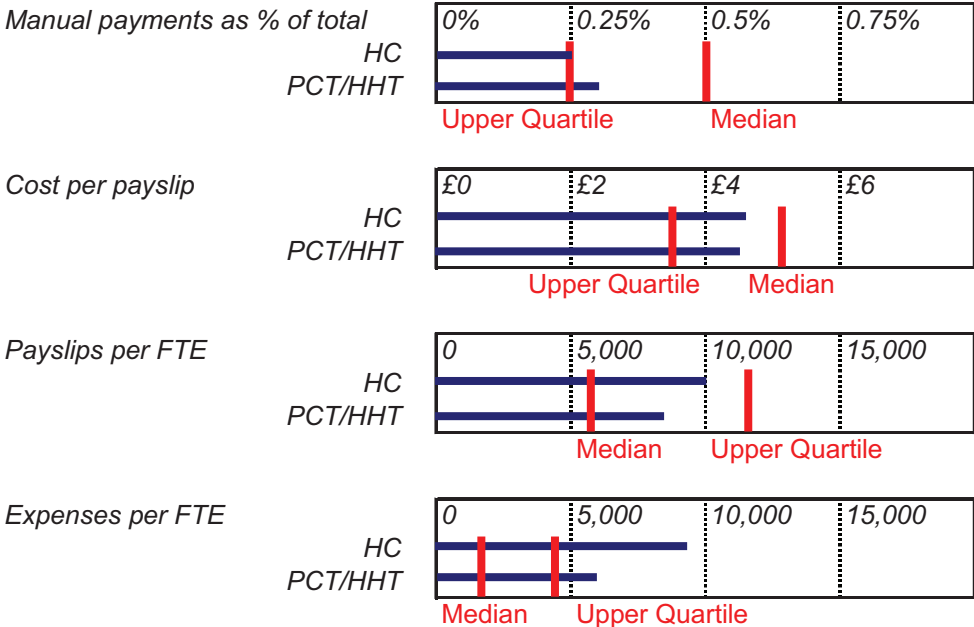
The two Payroll teams (HHT provides the payroll service for the PCT) account for 21 FTEs, or 4% of all the in-scope services.

The teams perform the weekly and monthly payment runs, manage the Payroll systems, update standing payroll data (the ESR system used by HHT/PCT is an integrated HR and Payroll system) and process expense claims. The majority of the work is transactional in nature.

Performance appraisal

All metrics point to broadly similar picture of performance at both HC and HHT/PCT: fairly high quality and productivity at a median to high price point (see Figure 28).

Figure 28: Quality and productivity benchmarks



Note: Payslips & Expenses per FTE are very sensitive to FTE allocation - true performance likely to be a combination of the two and thus around upper quartile

The number of manual payments as a % of total by both teams is good (around the top-quartile¹⁴) indicating low levels of error correction or special payments. The key productivity measure, 'payslips per payroll FTE' places both teams ahead of the median but short of top-quartile performance¹⁵; while the 'Expenses per FTE' measure shows performance well into the top-quartile¹⁶. These measures are very sensitive to the numbers of FTEs allocated to each service line however, and so we must take care to consider them together; true performance is likely to be around the upper-quartile mark.

However, CIPFA benchmarks place the HC cost per payslip as lower-quartile¹⁷ and PwC benchmarks place both functions around the median.

In summary, both teams compare fairly well with benchmarks, but there are a few areas that, if improved, could deliver even higher performance. There is a substantial amount of manual, transactional processing involved in validating and inputting expenses and manual uploads to the financial systems are required. While the NHS partners enjoy single point of data entry with the integrated HR and Payroll ESR system, HC duplicate work with the HR department when updating starters/movers/leavers and payroll information.

The performance gap

A target Payroll function was sized using a combination of the 'Payslips per FTE' and 'Expense reports processed per FTE' measures. The measures suggest a large performance gap to top-quartile Payroll processing performance, but indicate processing of expenses claims is significantly ahead of benchmarks (hence the negative performance gap). Given that these measures are highly sensitive to the allocation of FTEs to service lines, we look to the aggregate to give a meaningful indication of performance.

This indicates a performance gap of 2.2 FTEs across both organisations (a 10.6% reduction from the current state), suggesting a relatively small but significant improvement is possible. 2/3^{rds} of these would come from HC; perhaps unsurprising as the HHT/PCT are already sharing resources.

¹⁴ Manual payments as a % of total: HC 0.22%, HHT/PCT 0.29%; CIPFA Median 0.49%, Top quartile 0.25%

¹⁵ Payslips per payroll FTE: HC 8278, HHT/PCT 9813; PwC benchmark median 5508, top quartile 11,823

¹⁶ Expenses reports processed per FTE: HC 9480, HHT/PCT 5733; PwC benchmark median 2200, top quartile 4725

¹⁷ Cost per payslip: CIPFA Payroll 2009 report places HC (£5.26) as lower quartile; PwC benchmarks place both HC (£4.23) and HHT/PCT (£4.20) as near the median (£4.57)

Figure 29: Performance gap to top-quartile Payroll & Expenses functions

	FTEs			Total Costs		
	HC	PCT/HHT	Total	HC	PCT/HHT	Total
Current State						
Routine Processing Payroll	9.8	6.4	16.2	£218,201	£199,141	£417,342
Routine Processing Expenses	1.4	1.8	3.2	£31,172	£56,184	£87,356
Centre of Excellence	0.0	1.6	1.6	£0	£50,878	£50,878
Total	11.2	9.8	21.0	£249,372	£306,203	£555,575
Target State						
Routine Processing Payroll	6.9	5.3	12.2	£152,769	£165,278	£318,047
Routine Processing Expenses	2.8	2.2	5.0	£62,541	£68,174	£130,715
Centre of Excellence	0.0	1.6	1.6	£0	£50,878	£50,878
Total	9.7	9.1	18.8	£215,310	£284,330	£499,640
Performance Gap						
Routine Processing Payroll	2.9	1.1	4.0	£65,432	£33,863	£99,295
Routine Processing Expenses	-1.4	-0.4	-1.8	-£31,369	-£11,990	-£43,359
Centre of Excellence	0.0	0.0	0.0	£0	£0	£0
Total	1.5	0.7	2.2	£34,062	£21,873	£55,935
% Reduction required						
Routine Processing Payroll	30.0%	17.0%	24.9%	30.0%	17.0%	23.8%
Routine Processing Expenses	-100.6%	-21.3%	-56.0%	-100.6%	-21.3%	-49.6%
Centre of Excellence	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	13.7%	7.1%	10.6%	13.7%	7.1%	10.1%

Size of target Routine Processing centre calculated using PwC top quartile 'Payslips per Payroll FTE' and 'Expense reports processed per FTE' benchmarks

Realising improvements

Economies of scale generated through pooling resources and establishing a single Payroll & Expenses processing centre would allow more efficient processing of approved transactions. Data entry and supervisory resources could be pooled between the two teams, while recognising that there are different systems deployed and significantly differing scales, allowances and terms and conditions in place across the three partners.

Centralising expenses processing across the three partners affords the opportunity to implement standard regulations across the three partners, with operating policies and procedures flexed as required to meet the individual needs of the Council and the NHS trusts.

This centralisation and standardisation may be sufficient to deliver the 10% performance improvement believed reasonable.

Given that the teams are starting from a relatively high base, self-service technology could bring additional improvements to take performance beyond the upper quartile mark. The implementation of a common, integrated Expenses Management system would afford the opportunity to implement self-service claimant entry, with monitoring controls embedded to ensure compliance with policies. This would reduce manual processing effort and direct resources towards monitoring compliance and reporting exceptions.

Due to extant NHS regulations, the two trusts are required to use the ESR system (which also serves as an HR Management system), including recruitment services. However, Agresso have confirmed that ESR can be interfaced hence the mandating of ESR does not necessarily prevent a wider ERP review. The standalone Selima system used by HC could be replaced by a standard ERP module or interfaced.

Such an integrated system linking Payroll, HR and Finance, however achieved, would remove the need for duplicate data entry in both HR and Payroll systems and manual uploading to the Finance system.

2.3.6 ICT

Summary

- ICT is the biggest of the in-scope functions at 157 FTEs and accounts for some £5.5m of directly attributable costs.
- ICT at the PCT and HHT is already a shared service (Health Informatics Service – HIS), plans for complete integration of the HIS with HC ICT services are beginning to be implemented.
- Current cost performance at both teams is good relative to CIPFA and other peer group benchmarks, but quality of service is more of an issue.
- Thus, improvements in ICT will come in terms of increased quality rather than net cashable savings in the short to medium term although in the longer term an ITO would be able to realise additional savings from an already efficient ICT organisation.
- The continuation of the integration and standardisation programme will yield efficiencies at a transactional level; savings accrued here can then be recycled to allow the Centre of Excellence to grow to provide a higher quality and more innovative service.
- Once the integrated function has been optimised, an ITO should be considered to deliver world-class performance and additional longer term cash savings in the region of £1m to 1.2m.

Size and scope

At 30% of the total, ICT is the biggest of the in scope services with 157 FTEs across the three partners and a total directly attributable cost of £5.5m.

The PCT and HHT already share an integrated ICT service, and the plan to share with HC is well underway. There is a strong basis for a Shared Services model across the ICT service as the 'commoditised' nature of ICT lends itself well to the shared services paradigm.

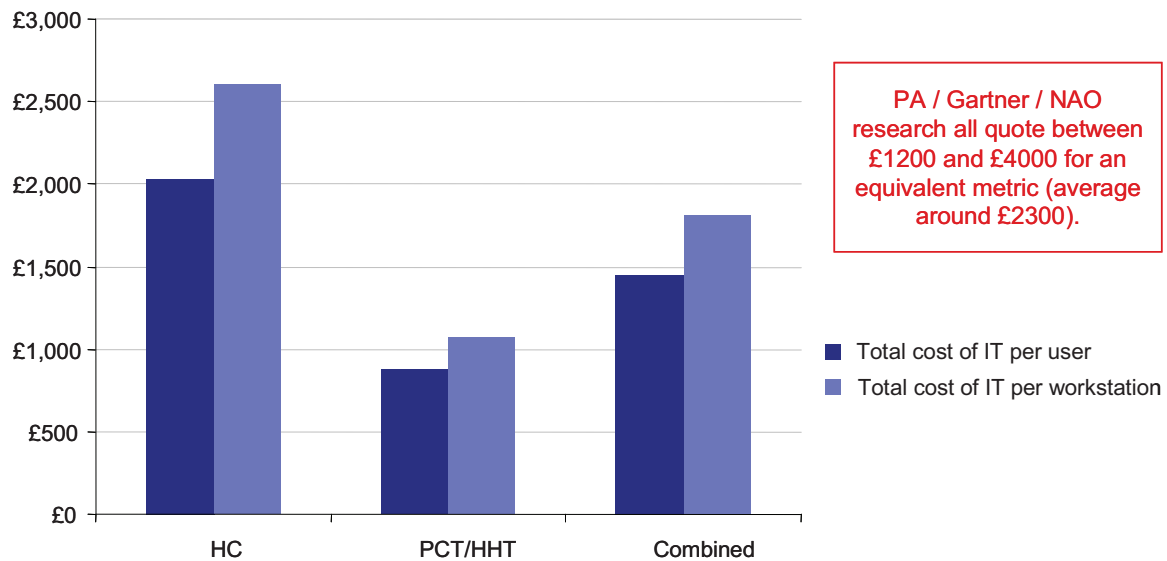
The majority of ICT staff deliver IT Operations and Applications Management services (54%), with the remainder providing Knowledge Management (including archives), client and support services, Application Development, Portfolio Management and Enterprise Architecture.

Performance appraisal

CIPFA benchmarks applied across HC's ICT provision paint a picture of an efficient organisation at a given quality point¹⁸, but with lower than desirable quality ratings in terms of user and customer satisfaction than peer organisations. The integrated PCT/HHT function has a lower cost of service provision than HC on a like for like basis, but over a significantly different user population with different needs and profile.

¹⁸ VFM-P1: Cost of the ICT function as a % of organisational expenditure: 1.6% [CIPFA comparator group 2.7%] & VFM-S1a/b: Cost of providing support: a) Per user: £748 [£963] b) per workstation £748 [£906]

Figure 30: Total cost of IT per user and workstation



Note: Total cost of IT' includes Pay, Agency, Direct and Overhead costs for ICT/HIS departments. HC excludes costs of Historic Archives and Records Management.

On non-financial metrics, HC performance is slightly behind on IT Operations measures such as unavailability of service¹⁹ and meeting service level agreements²⁰. A user satisfaction survey has recently been carried out across both HC and PCT/HHT, the results of which will provide a good indication of perceived service quality.

Benchmarking the size of the ICT function relative to the organisation as a whole (see Figure 31) indicates again that performance is good relative to peer group, local government benchmarks.

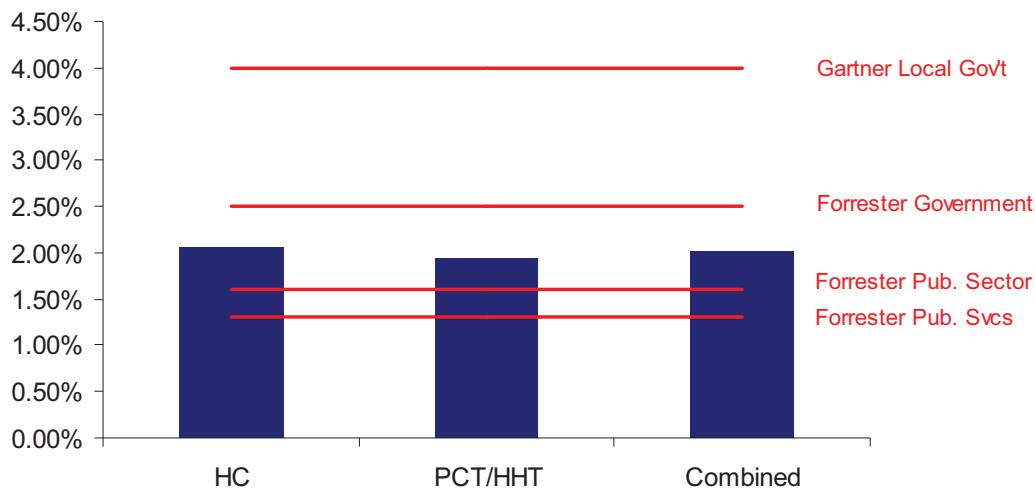
There is however a gap to top-class performance across all Government organisations internationally in the region of 20-30%. This is consistent with the magnitude of savings expected from a successful and ambitious programme of standardisation, simplification and then (primarily) outsourcing.

It should be borne in mind when making these comparisons that the benchmarks from Forrester Research are relative to organisations internationally and that the majority have outsourced ICT operations. Relative to the closer peer group of UK Local Authorities and to the Gartner and Forrester Local Government benchmarks, HC is a strong performer. We emphasise here that the aim is to move towards world class performance.

¹⁹ VFM-S3: Unavailability of ICT services to users: 0.96% [CIPFA comparator group 0.50%]

²⁰ VFM-P3: Percentage of incidents resolved within agreed service levels: 83.6% [CIPFA comparator group 91%]

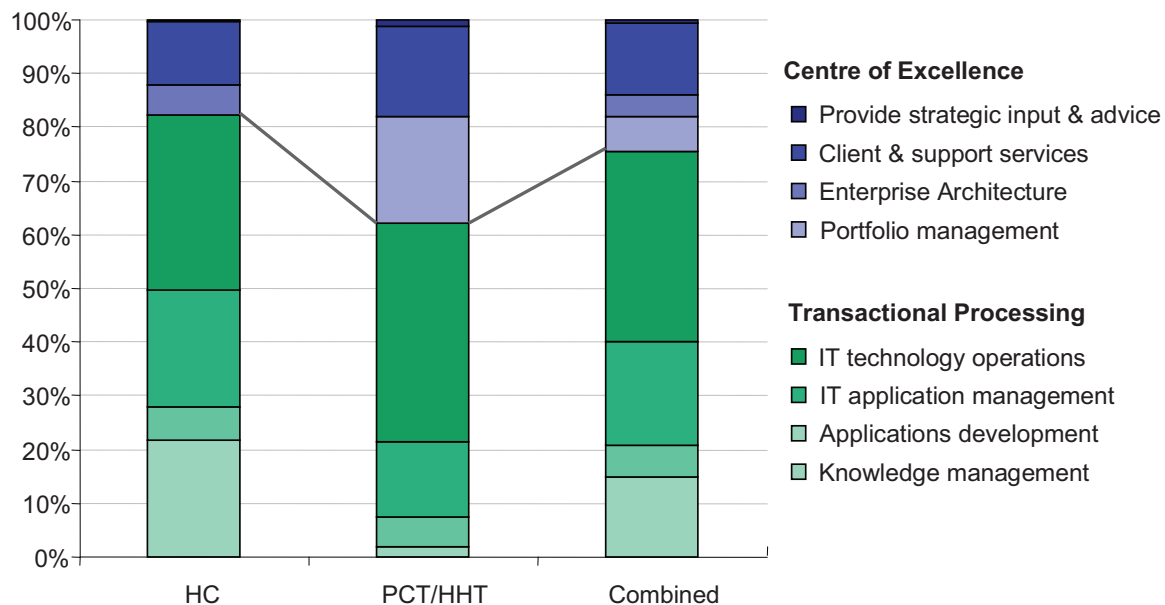
Figure 31: ICT FTEs as a % of whole organisation FTEs



Note: HC excludes Historic Archives and Records Management. Benchmarks: Forrester US IT Spending 2007, Gartner IT Metrics: IT Staffing Levels for 2010 (published 2009)

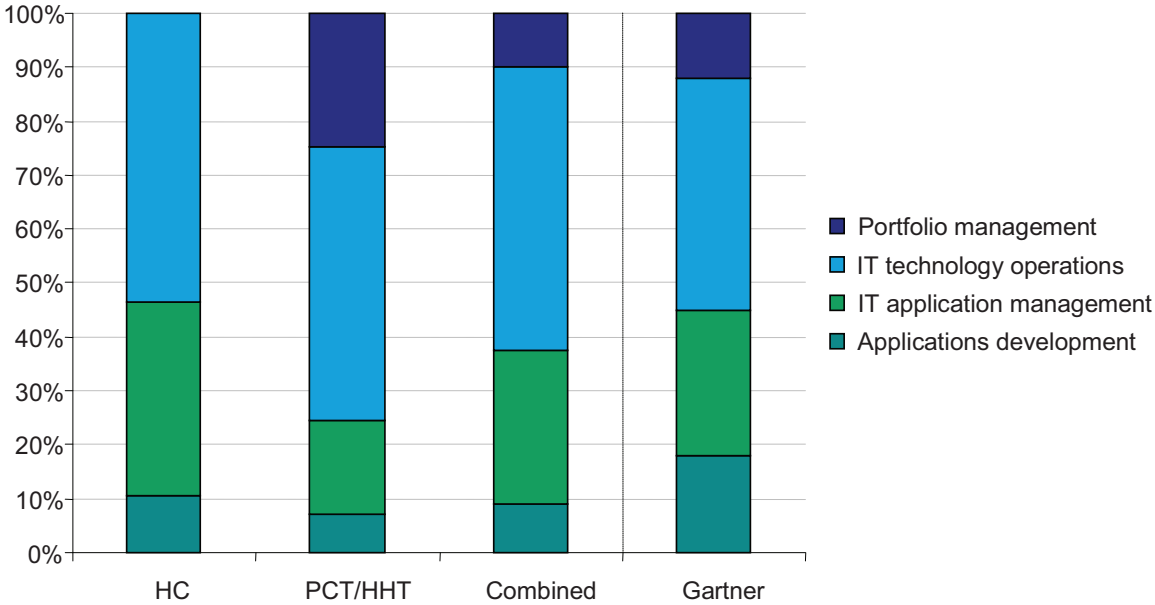
The ratio of Centre of Excellence to Routine Processing service lines (in terms of FTEs) currently has a different shape in HC and PCT/HHT (see Figure 32 below). Centre of Excellence service lines form a greater proportion in PCT/HHT because of the existing Portfolio Management function. The Centre of Excellence presents the greatest opportunity for longer term innovation, but is currently fractured and requires a longer term focus to develop and deliver the primary benefits of high value-add services and innovation for citizens.

Figure 32: ICT Centre of Excellence/Routine Processing FTE split



However, the shape of the transactional elements of the combined organisation is broadly in line with industry comparators (see Figure 33), indicating the right skills are present in total. This Routine Processing group presents the greatest short term opportunity for standardisation and savings, delivering benefits to quality of service to users and citizens.

Figure 33: Shape of the Routine Processing service grouping



The performance gap

Improvements in ICT will come in terms of increased quality rather than net cashable savings, in the short to medium term.

The move to an integrated service across all three partners provides the opportunity to gain consistency through standardising processes, harmonising policies and using the same technical and management standards (e.g. ITIL), which in turn allows simpler, more effective and more efficient processes delivering higher quality service with less downtime.

Savings from these efficiency gains can be recycled into upskilling and building competences in the Centre of Excellence to provide high value-add services (e.g. Enterprise Architecture).

Once the integrated ICT function has been optimised in this fashion, other sourcing models may be considered for the transactional elements in order to deliver cashable savings.

To give an indication of the scale of benefits achievable, the performance gap to a world-class 'target state' ICT function was sized using two very challenging benchmarks (see Figure 34).

These give a range of 20% to 24% saving on current costs, 29 to 37 FTEs equating to between £1m and £1.2m. Again, this is consistent with the magnitude of savings expected from a successful and ambitious programme of standardisation, simplification and then outsourcing leading to true world-class performance.

Figure 34: Performance gap to top-quartile IT functions

	FTEs			Total Costs		
	HC	PCT/HHT	Total	HC	PCT/HHT	Total
Current State						
Total ICT	103.1	53.7	156.7	£3,235,463	£2,219,673	£5,455,136
Records & Archives	15.8	0.0	15.8	£489,952	£0	£489,952
ICT less Records & Archives	87.3	53.7	141.0	£2,745,511	£2,219,673	£4,965,184
Target State						
A: ICT as a % of whole organisation	68.2	44.1	112.3	£2,144,850	£1,824,393	£3,969,243
B: ICT per '000 end users	51.2	52.6	103.8	£1,609,643	£2,177,886	£3,787,529
Performance Gap						
A: ICT as a % of whole organisation	19.1	9.6	28.7	£600,661	£395,280	£995,941
B: ICT per '000 end users	36.1	1.0	37.1	£1,135,867	£41,787	£1,177,654
% Reduction required						
A: ICT as a % of whole organisation	21.9%	17.8%	20.3%	21.9%	17.8%	20.1%
B: ICT per '000 end users	41.4%	1.9%	26.3%	41.4%	1.9%	23.7%

Note: Benchmark 'A' is from Forrester US IT spending 2007, Public Sector (1.6%). 'B' is from Principia UK IT spending review 2005, Public Sector - Upper quartile (16). Records and Archives have been excluded as these are not typical ICT services.

Additionally, there are short to medium term gains to be made in lower running costs through rationalising the significant diversity of contracts and supplier makeup as renewal dates come up.

Realising improvements

Processes can be simplified through the adoption of consistent approaches to all aspects of the management of ICT using industry standards such as PRINCE2/MSP (projects and programmes), ITIL/ISO20000 (operations and service management), ISO9001 (applications development and management), ISO27001 (security) and SFIA (career progression). Other standards and approaches such as TOGAF could be adopted in due course for architecture.

The use of a single model for compliance – and for the 'look and feel' of externally facing ICT – simplifies the management of service provision.

There is an opportunity to build a single, cross organisation ICT strategy and infrastructure incrementally over time. Core components could include single platforms for corporate systems and integration between applications across Herefordshire, leading to enhanced service provision (eg PCT to Adult Services). Standardisation on the platforms and technologies used would allow rationalisation to a smaller subset of those used and supported today.

Achieving the desired balance of transactional and Centre of Excellence service lines will bring challenges, as gaps in terms of skills and competencies exist in both HC and PCT/HHT. There is an opportunity to integrate the teams to take advantage of these complementary resource profiles; but equally there are efficiencies to be gained where there is duplication and areas where neither side has skills today – such as Enterprise Architecture – that need to be developed. For example:

- HC has strengths in Knowledge Management and Web Design services – but there is limited equivalent capability in PCT/HHT
- HC has some dedicated capability in Technical Architecture; PCT/HHT it is a component of ICT operations

- PCT/HHT have strengths in Portfolio Management and IT Training, areas not developed in HC
- Client & Support Services have different shapes across the three organisations; Account Management developed in HC, but no equivalent in PCT.

The future operating model contains gaps in key areas which will be difficult to fill internally and which may be in areas for which resources are high value and in short supply (eg enterprise architecture). A potential resolution might be to build affected functions at a slower pace and play to existing strengths in the first phases of transition.

Transition will need to be carefully managed.

With service quality levels not yet meeting user expectations, maintaining and improving customer service will be extremely important. Equally, complex projects and programmes in train must not be put at risk. Therefore the pace of transition will need to be matched against the need to maintain and improve business and usual services, securing delivery, and the capacity needs of any ITO exercise. Expediting any ITO will require additional capacity.

Additionally, the point at which it is appropriate to move to an ITO will need to be defined by clear criteria defining the level of expected maturity of transactional services and the strength of the centre of excellence.

Finally, any initial discussions with ITO organisations can inform both the target shape of the ICT service, and the point at which outsourcing would be appropriate.

2.3.7 Estates

Summary

- Estates is the fourth largest function with 70 FTEs accounting for 13% of the total in scope FTEs
- Activities carried out by the estates functions differ dramatically between the partners. Whereas HC and the PCT perform maintenance and repairs and operational activities, HHT has outsourced estates and is focused on managing its PFI contract.
- Although HHT has already outsourced its' estates function, opportunity remains for further outsourcing.
- A successful transformation programme could realise a reduction of between 7-17 FTEs or £292k to £730k in costs
- HC's proposed accommodation consolidation is likely to realise significant savings. However, there is an opportunity for additional savings by expanding the accommodation strategy to cover the PCT and HHT.

Size and scope

Estates is the fourth largest service with 70 FTEs accounting for 13% of the total in scope FTEs and 15% of total costs.

Estates services differ considerably between the three partners. Where HC and PCT have in-house estates services consisting of 55 FTEs and 10 FTEs respectively, HHT have effectively outsourced their Estates service under a PFI contract and have 4 retained FTEs.

The activities carried out by each function also vary by partner. The HHT estates service is focused on PFI contract management whilst the PCT focuses the largest portion of its resources on carrying out physical maintenance of buildings and equipment (6.5 FTEs).

HC has the largest estates function and performs the widest scope of activities, including carrying out maintenance and repairs and providing custodial and reception services. Of the three partners, HC is the only organisation to have Land Agents and a Valuation team providing services specific to monitoring the council's property portfolio.

The cost profile of each partner correlates with the size of their estates function (as shown in Figure 35). HHT has the smallest total directly attributable cost (£250k), HC with the largest (£2.4m) and PCT in the middle (£315k).

Figure 35: Estates resource consumption

	HC				HHT			
	FTE	%	Total costs	%	FTE	%	Total costs	%
6 Estates	55.31	100%	£2,361,018	100%	3.90	100%	£248,259	100%
6.1 Perform maintenance and repairs	3.75	7%	£100,896	4%	0.00	0%	£0	0%
6.2 Strategic management	1.00	2%	£91,513	4%	1.00	26%	£95,406	38%
6.3 Operational management	4.00	7%	£171,317	7%	2.90	74%	£152,853	62%
6.4 Strategic Asset Management	8.00	14%	£374,181	16%	0.00	0%	£0	0%
6.5 Capital/Maintenance Team	9.76	18%	£688,045	29%	0.00	0%	£0	0%
6.6 Valuation Team	7.51	14%	£284,504	12%	0.00	0%	£0	0%
6.7 Land Agents	3.00	5%	£104,829	4%	0.00	0%	£0	0%
6.8 Reception Services	4.11	7%	£110,582	5%	0.00	0%	£0	0%
6.9 Custodial Services	5.50	10%	£170,063	7%	0.00	0%	£0	0%
6.10 Admin & Support	8.68	16%	£265,087	0.1123	0.00	0%	£0	0%

	PCT				Total			
	FTE	%	Total costs	%	FTE	%	Total costs	%
6 Estates	10.50	100%	£314,655	100%	69.71	100%	£2,923,932	100%
6.1 Perform maintenance and repairs	6.50	62%	£194,786	62%	10.25	15%	£295,682	10%
6.2 Strategic management	1.00	10%	£29,967	10%	3.00	4%	£216,886	7%
6.3 Operational management	1.00	10%	£29,967	10%	7.90	11%	£354,138	12%
6.4 Strategic Asset Management	0.00	0%	£0	0%	8.00	11%	£374,181	13%
6.5 Capital/Maintenance Team	0.00	0%	£0	0%	9.76	14%	£688,045	24%
6.6 Valuation Team	0.00	0%	£0	0%	7.51	11%	£284,504	10%
6.7 Land Agents	0.00	0%	£0	0%	3.00	4%	£104,829	4%
6.8 Reception Services	0.00	0%	£0	0%	4.11	6%	£110,582	4%
6.9 Custodial Services	0.00	0%	£0	0%	5.50	8%	£170,063	6%
6.10 Admin & Support	2.00	19%	£59,934	19%	10.68	15%	£325,021	11%

Note: All the services carried out by the estates departments are considered within scope of the Shared Service Programme.

The performance gap

The lack of available KPIs makes it difficult to assess the performance of the existing functions and size the future service. HC takes part in the National Property Performance Management Initiative (NaPPMI) co-ordinated by CIPFA. NaPPMI is used to benchmark Asset Management performance indicators (including condition or properties and energy and water costs) with other authorities. The Council also participates in the COPRRP benchmarking club which takes a customer perspective of the Estates Services and Building Maintenance functions. However, KPIs for the PCT and HHT are not available so comparison between the organisations has not been possible.

In our experience, simplifying, consolidating and standardising service lines typically delivers savings in the range of 10-25%. To estimate the size of the target estates function and calculate the likely FTE and costs savings we have assumed that the change programme would lead to a reduction in headcount of between 10% and 25%.

The table below shows the upper range, calculated on the assumption that 25% savings will be made.

Figure 36: Performance gap to top-performing Estates function

	FTEs				Total Costs			
	HC	PCT	HHT	Total	HC	PCT	HHT	Total
Current State								
Routine Processing	8.7	2.0	0.0	10.7	£265,087	£59,934	£0	£325,021
Centre of Excellence	9.0	1.0	1.0	11.0	£465,694	£29,967	£95,406	£591,067
Contract Management	37.6	7.5	2.9	48.0	£1,630,237	£224,753	£152,853	£2,007,844
<i>Retained Org</i>	11.3	2.3	0.9	14.4	£489,071	£67,426	£45,856	£602,353
<i>Outsourced</i>	26.3	5.3	2.0	33.6	£1,141,166	£224,753	£152,853	£2,007,844
Total	55.3	10.5	3.9	69.7	£2,361,018	£314,655	£248,259	£2,923,932
Target State								
Routine Processing	6.5	1.5	0.0	8.0	£198,815	£44,951	£0	£243,766
Centre of Excellence	6.8	0.8	0.8	8.3	£349,270	£22,475	£71,554	£443,300
Contract Management	28.2	5.6	2.2	36.0	£1,222,678	£168,565	£114,640	£1,505,883
<i>Retained Org</i>	8.5	1.7	0.7	10.8	£366,803	£50,569	£34,392	£451,765
<i>Outsourced</i>	19.8	3.9	1.5	25.2	£855,875	£168,565	£114,640	£1,505,883
Total	41.5	7.9	2.9	52.3	£1,770,763	£235,991	£186,194	£2,192,949
Performance Gap								
Routine Processing	2.2	0.5	0.0	2.7	£66,272	£14,984	£0	£81,255
Centre of Excellence	2.3	0.3	0.3	2.8	£116,423	£7,492	£23,851	£147,767
Contract Management	9.4	1.9	0.7	12.0	£407,559	£56,188	£38,213	£501,961
Total	13.8	2.6	1.0	17.4	£590,254	£78,664	£62,065	£730,983

This analysis shows that a successful transformation programme could lead to savings in the region of 7 to 17 FTEs or £292k to £730k in costs. Contract management services lines would be reduced the most; 5 - 12 FTEs equating to £201k - £502k.

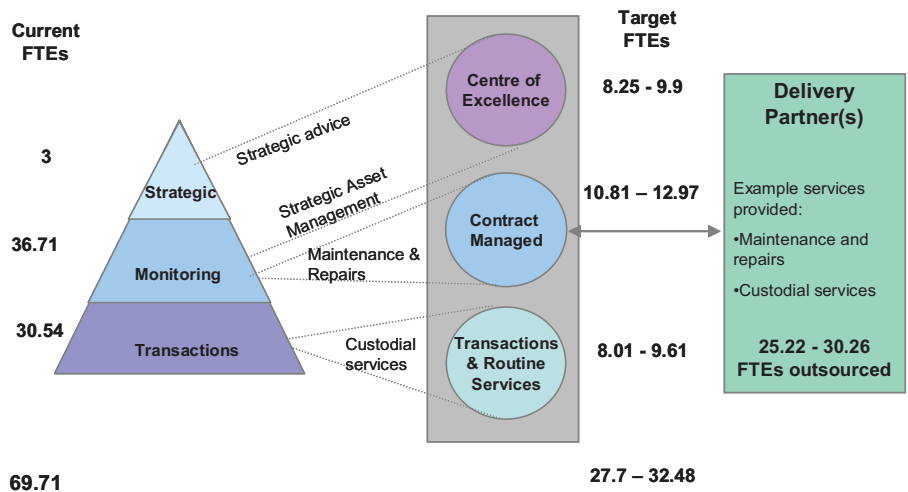
Of the three partners, HC would see the biggest reduction in FTEs; 6 to 14 FTEs equating to £236k-£590k, the majority of which would come from the contract management service lines.

At the PCT, a 10-25% saving would equate to modest savings of 1-3 FTEs or £31k - £79k.

HHT would see the smallest reduction. A 10-25% saving would see a reduction in headcount of up to 1 FTE and costs of £25k - £62k.

In the proposed service delivery model, strategic advice would be provided by an in-house Centre of Excellence; all other monitoring service lines would move to a contract management function with many of the FTEs transferring to a service delivery partner.

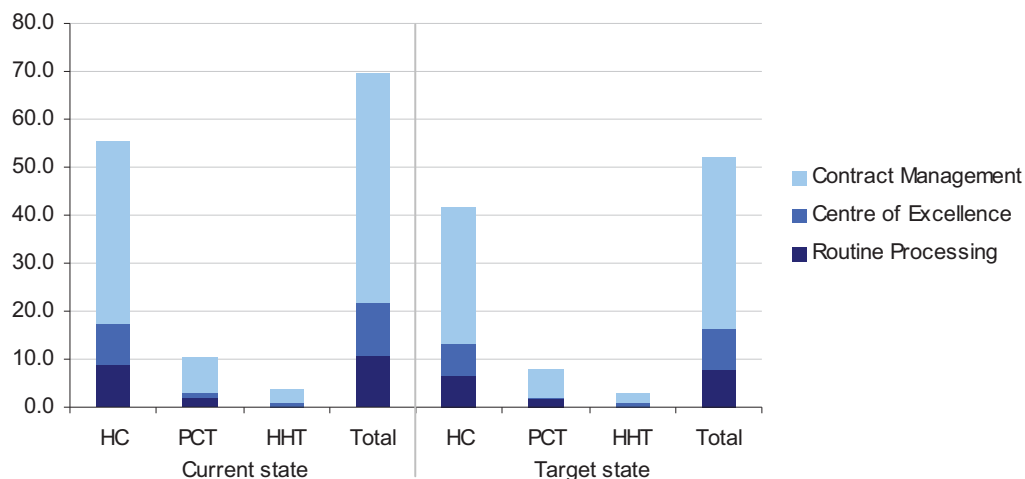
Figure 37: Size of current and target state Estates functions



The analysis shows that a large proportion of the future estates function will fall under the contract management function. However, a number of estates service lines can be outsourced and although responsibility for contract management will transfer to the shared service, the majority of the headcount will transfer to the service provider.

Gartner research suggests that the retained organisation required to manage an outsource arrangement is typically 8-12 FTEs for every £10m outsourced. Although further investigation is needed to understand the size of the retained organisation required to manage the outsourced service lines we anticipate that around 30% of FTEs would be retained. This equates to a contract management function of 11-13 FTEs with 25-30 FTEs outsourced to a service provider.

Figure 38: Size and shape of current and target state Estates functions



Realising improvements

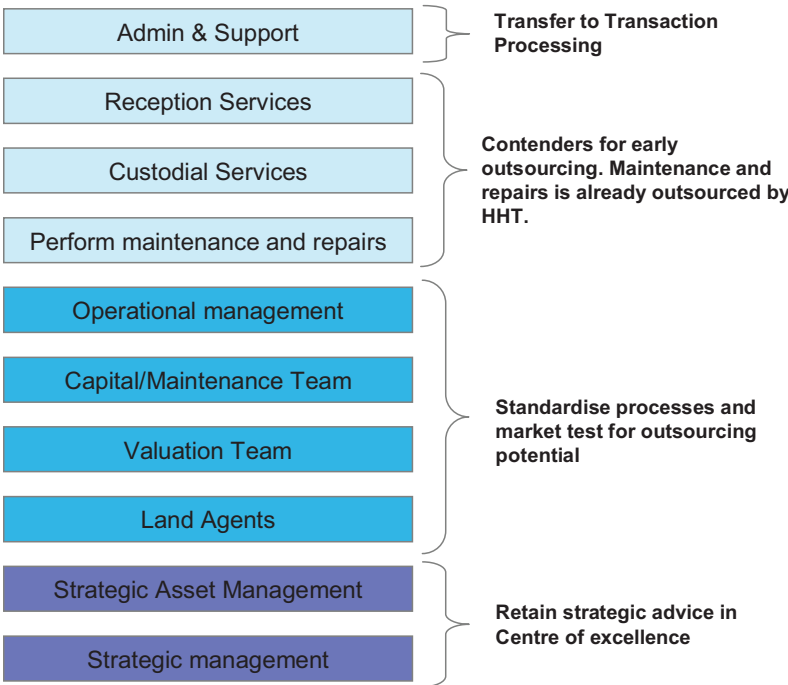
Savings can be achieved by undertaking a bottom-up review of the estates function to improve processes and simplify and standardise activities across the partners.

There is a major opportunity for pooling estates management and specialist expertise within a centre of excellence, however, further analysis is required to assess whether monitoring services lines should also be transferred or outsourced.

Further opportunity exists for outsourcing estates services. Maintenance and repairs, reception services and custodial services are contenders for immediate outsourcing and would deliver a headcount reduction within HC and the PCT.

There may also be an opportunity to outsource monitoring service lines such as operational management and valuations. We recommend developing a requirements specification to inform a decision about which services are appropriate for outsourcing and which should be retained by the shared service centre. Whilst carrying out this investigation HPS & HHT should test the market to gauge supplier interest in providing estates services.

Figure 39: Estates services lines recommendations



Successful delivery of an integrated ERP platform incorporating procure to pay and works order management would enable standardisation of systems, providing a good opportunity for decommissioning unsupported legacy systems used by the Council (eg Cupid and Dataease).

Moving forward, there is also an opportunity to explore savings and synergies through co-location of existing office space. The council are already pursuing a strategy to consolidate all council accommodation at the Plough Lane site; buying new land and buildings for shared office accommodation for circa 1,600 FTEs which is expected to deliver savings of over £500k per annum. Greater savings could be achieved if a co-location strategy was pursued across all three organisations.

2.3.8 Transport

Summary

- Transport is the 5th largest function with 34 FTEs and £1.1m in costs
- Transport functions across the partners differ considerably in their size and scope. HC has the largest function with 26 FTEs performing a range of activities. At the other end of the scale, HHT has just 0.1 FTE managing contracts for transport services.
- A performance improvement programme could realise savings in the region of 10-25% which equates to 3-8 FTEs or £132k - £297k in costs
- Savings can be realised by pooling contract management functions, e.g. leased cars, and investigating further outsourcing opportunities.

Size and scope

Transport is the fifth largest in-scope service with 34 FTEs, accounting for 6% of in-scope FTEs. Employee costs are £1m and directly attributable costs are £1.1m.

The three partners each have very different transport functions. HHT has outsourced transport and retains only a contract management function (0.1 FTE). The PCT performs some transport management and contract management activities but is made up predominantly of delivery drivers (4 FTEs) who account for 59% of the PCT transport function costs (£106k).

HC has the largest transport function with 26 FTEs performing a range of activities not undertaken by HHT and the PCT including highways development (4 FTEs), road safety (6 FTEs) and integrated transport (6.5 FTEs).

The council also manages schools transport and social care transport which are carried out by the CYPD and Adult Services directorates respectively. Both CYPD and Adult Services are out of scope and are therefore not included within this analysis. Based on council payroll data we understand there are 4.61 FTEs in schools Transport and 7.18 FTEs in social care transport.

Figure 40: Transport resource consumption

	HC				HHT			
	FTE	%	Total costs	%	FTE	%	Total costs	%
7 Transport	26.80	100%	£920,997	100%	0.10	100%	£21,969	100%
7.1 Public transport contracts & community transport support	4.50	17%	£154,645	17%	0.00	0%	£0	0%
7.2 Highways development control	4.00	15%	£137,462	15%	0.00	0%	£0	0%
7.3 Transport policy & strategy	3.50	13%	£120,279	13%	0.00	0%	£0	0%
7.4 Road safety	6.00	22%	£206,193	22%	0.00	0%	£0	0%
7.5 Integrated transport	6.50	24%	£223,376	24%	0.00	0%	£0	0%
7.6 Admin	1.50	6%	£51,548	6%	0.00	0%	£0	0%
7.7 Manage contract cars	0.80	3%	£27,492	3%	0.00	0%	£0	0%
7.8 Stores management	0.00	0%	£0	0%	0.00	0%	£0	0%
7.9 Delivering supplies	0.00	0%	£0	0%	0.00	0%	£0	0%
7.1 Transport management	0.00	0%	£0	0%	0.10	100%	£21,969	100%

	PCT				Total			
	FTE	%	Total costs	%	FTE	%	Total costs	%
7 Transport	6.80	100%	£177,834	100%	33.70	100%	£1,120,799	100%
7.1 Public transport contracts & community transport support	0.00	0%	£0	0%	4.50	13%	£154,645	14%
7.2 Highways development control	0.00	0%	£0	0%	4.00	12%	£137,462	12%
7.3 Transport policy & strategy	0.00	0%	£0	0%	3.50	10%	£120,279	11%
7.4 Road safety	0.00	0%	£0	0%	6.00	18%	£206,193	18%
7.5 Integrated transport	0.00	0%	£0	0%	6.50	19%	£223,376	20%
7.6 Admin	0.00	0%	£0	0%	1.50	4%	£51,548	5%
7.7 Manage contract cars	1.80	26%	£47,074	26%	2.60	8%	£74,566	7%
7.8 Stores management	0.00	0%	£0	0%	0.00	0%	£0	0%
7.9 Delivering supplies	4.00	59%	£104,608	59%	4.00	12%	£104,608	9%
7.1 Transport management	1.00	15%	£26,152	15%	1.10	3%	£48,121	4%

The performance gap

To estimate the size of the target transport function and calculate the likely FTE and costs savings we have assumed that the change programme would lead to a reduction in headcount of between 10% and 25%.

The table below shows the upper range which is calculated on the assumption that 25% savings will be made.

Figure 41: Performance gap to top-performing Transport function

	FTEs				Total Costs			
	HC	PCT	HHT	Total	HC	PCT	HHT	Total
Current State								
Routine Processing	1.5	0.0	0.0	1.5	£51,548	£0	£0	£51,548
Centre of Excellence	20.0	5.0	0.1	25.1	£687,311	£130,760	£21,969	£840,040
Contract Management	5.3	1.8	0.0	7.1	£182,137	£47,074	£0	£229,211
Total	26.8	6.8	0.1	33.7	£920,997	£177,834	£21,969	£1,120,799
Target State								
Routine Processing	1.1	0.0	0.0	1.1	£38,661	£0	£0	£38,661
Centre of Excellence	15.0	3.8	0.1	18.8	£515,483	£98,070	£0	£613,553
Contract Management	4.0	1.4	0.0	5.3	£136,603	£35,305	£0	£171,908
Total	20.1	5.1	0.1	25.3	£690,748	£133,375	£0	£824,123
Performance Gap								
Routine Processing	0.4	0.0	0.0	0.4	£12,887	£0	£0	£12,887
Centre of Excellence	5.0	1.3	0.0	6.3	£171,828	£32,690	£21,969	£226,486
Contract Management	1.3	0.5	0.0	1.8	£45,534	£11,768	£0	£57,303
Total	6.7	1.7	0.0	8.4	£230,249	£44,458	£21,969	£296,676

This analysis shows that a successful transformation programme could lead to savings in the region of 3 - 8 FTEs or £132k - £297k in costs. Centre of excellence services lines would be reduced the most; 5.3 - 6 FTEs equating to £204k - £226k.

As the Council has the largest transport function it has the potential to realise the biggest savings. Performance improvement of 10-25% would equate to 3-7 FTEs and £92k - £230k in cost savings.

Under the proposed service delivery model, transport policy and strategy would be provided by an in-house Centre of Excellence; all other monitoring service lines would be incorporated with transaction processing in Transactions & Routine Services.

Figure 42: Mapping from current to target state

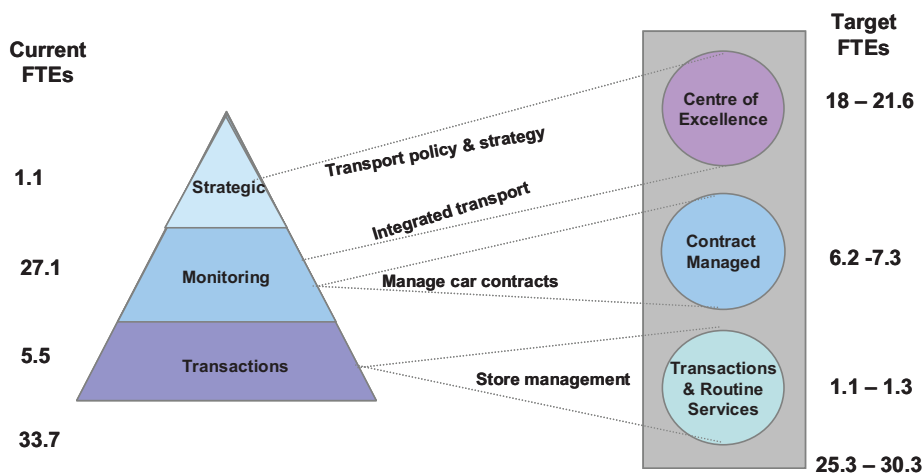
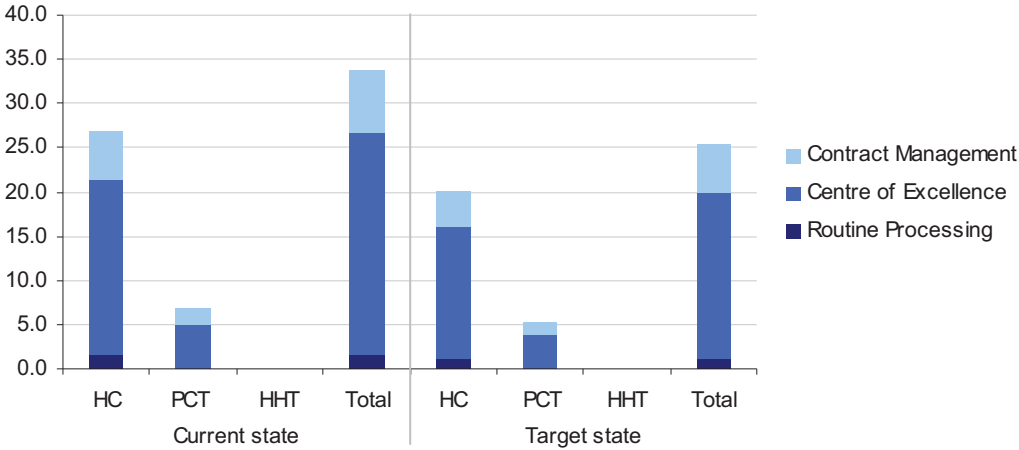


Figure 43: Size and shape of current and target state Transport functions



Realising improvements

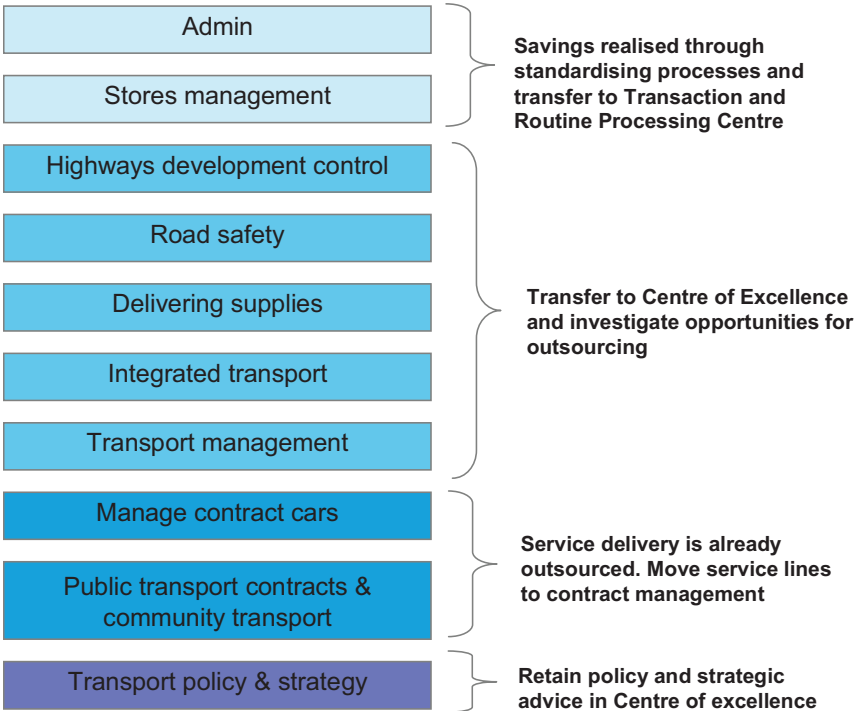
A detailed process improvement programme is likely to realise savings of 10-15% but will also help identify further opportunities for service line standardisation or outsourcing. Monitoring activities including road safety and highways development control could potentially be outsourced in the future organisation. Outsourcing could reduce the headcount in some service lines by 70% with a small team being retained by the centre of excellence to manage the contracts.

Whilst the processes improvement programme is underway we recommend a concurrent market test to gauge supplier interest in providing transport services for HPS & HHT.

Management of contract cars should be moved to a contract management centre of excellence. Sharing a leased cars function would leverage the buying power of the three organisations and improve efficiency of pool car use and maintenance. Sharing would also enable the partners to realise modest savings by sharing administrative tasks (i.e. bookings, repairs and insurance claims, monitoring of mileage, vehicle insurance, parking and speeding fines).

Service delivery for public transport is already outsourced and contract management activities should be combined to benefit from shared expertise and best practice.

Figure 44: Recommendations for each Transport Service Line



2.3.9 Internal Audit

Summary

- Internal audit employs 10 FTEs at HC, whilst the service is bought in at both PCT and HHT
- HC performs substantially more audit days per £m of gross turnover than other authorities, placing the function in the lower quartile
- Two primary options are available; seek to improve the HC audit team's performance and share across the three partners, or outsource together to benefit from economies of scale.

Size and scope

Internal Audit at HC engages 9.9 FTEs with around £389k of directly attributable costs, whilst the service is bought in at both PCT and HHT, each at a cost of around £78k per annum (see Table 3). There is an existing collaboration on ICT Audit and Fraud processes between HC and the PCT.

Table 3: Spend on Internal Audit by partner

	HC	PCT	HHT
Audit plan days	1,793 ²¹	200	190
Audit cost per day	£231	£391	£410
Provider	In-house (9.9 FTEs)	C&W Audit Services	RSM Bentley Jennison
Spend on Internal Audit	£389k (pay & direct costs)	£78.2k	£77.8k

Performance appraisal

HC performs substantially more audit days per £m of gross turnover than other Unitary Authorities²², placing the function in the lower quartile. While staff costs per auditor are marginally below average²³, the number of audit days causes the total cost of the function to be very high. Encouragingly, the cost per day of bought-in internal audit at both PCT and HHT is lower than the average at Unitary Authorities²⁴.

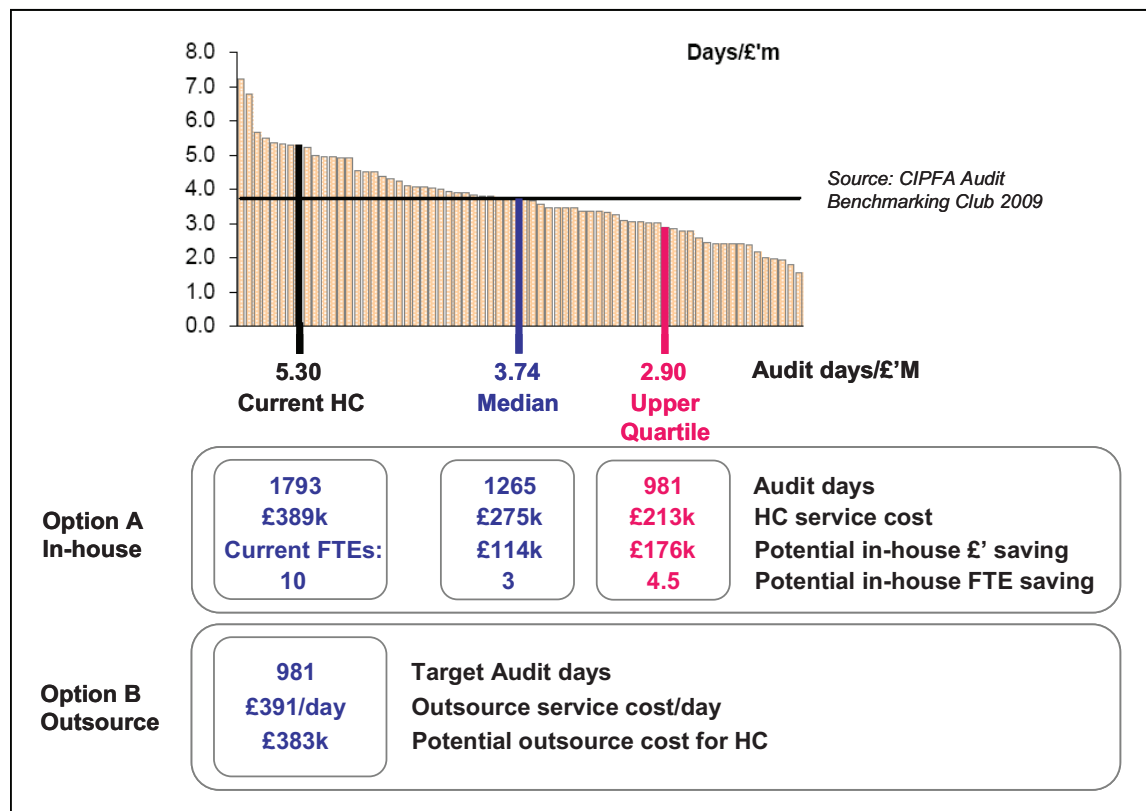
²¹ Audit plan days includes schools

²² Audit days per £m of Gross Turnover: HC 5.3; CIPFA average 3.74

²³ Staff cost per auditor (in-house): HC £39,293; CIPFA average £41,013

²⁴ Cost per day of bought-in internal audit: PCT £391, HHT £410; CIPFA average £419

Figure 45: Internal Audit performance and options



Realising improvements

Performance improvement and greater cost efficiency could be achieved in one of two ways (see Figure 45):

- Option A is to improve the performance of the in-house HC team; an improvement sufficient to bring the Council into the top quartile of days per £m turnover would release up to 4.5 FTEs, saving approximately £176k per annum. Additionally, this service could be provided for the PCT and HHT who could then benefit from a lower cost per day.
- Option B is to outsource the function entirely, as the PCT and HHT currently do. Savings here would accrue from greater quality and economies of scale in procuring services from just one provider.

While recognising the need for audit programme variation due to differing statutory requirements, we advise a coordinated approach to procuring external audit services. We believe the savings potential to be between 5 and 10% or £35 to 70k per annum by selecting a single external audit provider across the three parties. We do recognise however that the PCT is also required to undertake a PBR data assurance audit, National Fraud Initiative and other audits which are nationally agreed contracts and have little opportunity for negotiation on price.

2.3.10 Legal

Legal at HC engages around 22 FTEs and incurs approximately £925k of directly attributable costs, whilst services are bought in at both PCT and HHT at a cost of around £157k and £68k respectively.

Table 4: Spend on Legal services by partner

	HC	PCT	HHT
Provider	In-house (21.57 FTEs)	Mills Reeve	Mills Reeve
Spend on Legal services	£925k (pay & direct costs)	£157k	£68k

Note: these figures have not yet been verified

Following a recent change of leadership, there are concerns that the Legal department at HC is not fit for purpose and that a ground-up review is required. The opportunity should be taken to review the needs, capabilities and gaps at all three partners simultaneously.

Any future model of service delivery would likely retain the Governance function within a Centre of Excellence and buy in specialist skills as required. Concerns about centralising service provision for the three partners are mainly around the need for specialist skills (eg medical negligence defence) that, if not used on a regular basis, are difficult to maintain.

A variety of options are available pending a review of transactional activities, including outsourcing to an existing not-for-profit organisation (or other Local Authority) and the setting up of a combined special purpose vehicle (also not for profit) between HC, PCT and HHT.

2.3.11 Printing & Distribution

Summary

- Printing and distribution is the smallest in scope service with just 0.1 FTEs.
- Spending on printing was estimated at £1.2m.
- Savings can be made by pooling the contract management function and sourcing print jobs from the most cost effective supplier.

Size and scope

Printing and distribution is the smallest service in scope accounting for just 0.1 FTE and around £2k in direct costs.

However, in terms of spend, printing and distribution is significant. Total spend on printing services during 2008/09 is estimated at £1.2m – 54% of this from HC.

Local and desktop printers used for day-to-day printing are managed by the ICT function and are not included in this section. The printing and distribution function covers larger print jobs such as annual reports, marketing materials and clinical stationery.

All three partners outsource their printing services. HC is committed to a joint venture with Amey until 2013. The PCT and HHT have established relationships with a number of local suppliers, preferring not to use the NHS Purchasing and Supply Agency (PASA) despite the potential savings because of longer lead times from PASA suppliers.

Table 5: Printing and distribution spend and volumes

	HC	PCT	HHT	Total
Spend on printing	£651k	£381k	£177k	£1,209k
Number of print jobs per annum	1,183	98	96	1,377
Contract	Joint venture with Amey until 2013	<ul style="list-style-type: none"> • No fixed contracts • 9 local suppliers used during 08/09 	<ul style="list-style-type: none"> • No fixed contracts • 3 local suppliers used regularly 	

Realising improvements

Owing to the minimal resources consumed by Printing and Distribution, savings will be realised through improved procurement rather than headcount reduction.

Requisitioning of print services should be managed by a contract management centre of excellence which will lead to number of benefits:

- Best value for each print job - directing purchase orders to the most cost effective supplier

- Reduce maverick spend by providing greater control over requisitioning and suppliers used by the partners
- Economies of scale by combining spending power of partners.

With recent advances in printing technology, the additional buying power of the three organisations combined and the ability to go to a specialist printing provider, we would expect savings of around 15% to be achievable, equating to savings of £58k from PCT and £26k from HHT.

Savings at HC are more difficult to achieve because the price of print jobs is fixed under a contract with Amey until 2013. However for purposes of comparison, 15% of HC printing spend equates to £98k.

2.3.12 Communications & PR

Summary

- Communications and PR is one of the smaller in scope services, accounting for 9.77 FTEs and £473k in total directly attributable costs
- HHT communications function has a narrow scope of responsibility. HC and PCT functions are combined and are wider in scope, performing both internal and external communications.
- High levels of existing integration mean that a shared service model is easily achieved. To maximise savings the Centre of Excellence must be extended to carry out all of the marketing and PR activities which are currently delivered locally.

Size and scope

Communications and PR is one of the smaller in scope services and accounts for 9.77 FTEs and £473k in total costs. The communications team at HC, which also provides communications services for the PCT, makes up all but one of the FTEs (8.62) and over 90% of costs (£432k).

The communications and PR functions are responsible for both internal and external communications.

The newly appointed HHT team has a small scope of activity, with 1.15 FTEs focused on publicity and marketing. HC provides communications services on behalf of the PCT and performs a wider range of activities including internal communications, member communications and design and branding.

The largest service line is Press, Publicity and Marketing which accounts for 50% of all Communications FTEs (4.77). The other service lines can be seen in the table below.

Figure 46: Resource consumption

	HC / PCT			
	FTE	%	Total costs	%
11 Comms/PR	8.62	100%	£436,000	100%
11.1 Press, Publicity and Marketing	3.62	42%	£176,392	40%
11.2 Member Communications	1	12%	£39,722	9%
11.3 Internal Communications	1	12%	£47,722	11%
11.4 Design and Branding	1	12%	£49,722	11%
11.5 Administration Support	1	12%	£34,722	8%
11.6 Service Management (Head of Service)	1	12%	£87,722	20%

	HHT			
	FTE	%	Total costs	%
11 Comms/PR	1.15	100%	£37,096	100%
11.1 Press, Publicity and Marketing	1.15	100%	£37,096	100%
11.2 Member Communications	0.00	0%	£0	0%
11.3 Internal Communications	0.00	0%	£0	0%
11.4 Design and Branding	0.00	0%	£0	0%
11.5 Administration Support	0.00	0%	£0	0%
11.6 Service Management (Head of Service)	0.00	0%	£0	0%

	Total			
	FTE	%	Total costs	%
11 Comms/PR	9.77	100%	£473,096	100%
11.1 Press, Publicity and Marketing	4.77	49%	£213,488	45%
11.2 Member Communications	1.00	10%	£39,722	8%
11.3 Internal Communications	1.00	10%	£47,722	10%
11.4 Design and Branding	1.00	10%	£49,722	11%
11.5 Administration Support	1.00	10%	£34,722	7%
11.6 Service Management (Head of Service)	1.00	10%	£87,722	19%

The performance gap

Using the standard assumption of a 10-25% saving arising from simplifying, standardising and sharing communications services equates to a headcount reduction of 1 to 2.5 FTEs or approximately £47k to £118k in directly attributable costs.

Realising improvements

HC and PCT Communications functions are already combined and initiatives are underway to identify savings. For example, a review of design and brand activity is examining whether centralising can realise procurement savings whilst also improving consistency of branding.

Some communications and publicity activities are carried out locally; for example, road safety publicity is carried out by the council's transport team, and similar activities are performed in the service areas of the PCT. Benefit could undoubtedly be obtained by moving all locally delivered communications and marketing activity to the central team, enabling economies of scale and ensuring consistency and quality of communications products.

There is also an opportunity to integrate Information Services; in the short term this would allow for a one-stop-shop approach to answering Freedom of Information (FOI) queries across the partners. In the longer term, supported by ICT, an integrated data warehouse could be developed to consolidate service provision information by citizen, made available to the appropriate professionals at point of service delivery.

2.3.13 Emergency Planning

Emergency Planning and Business Continuity is currently shared between HC and the PCT, engaging 4.11 FTEs. The HHT employs approximately 0.2 FTE of one nurse.

The service is primarily concerned with the development of contingency and business continuity plans, responding to and managing emergency incidents and liaising with local Resilience Forum members.

The HC/PCT Emergency Planning Unit (EPU) has recently been transferred to the Environment and Culture Directorate and is subject to a major review; the outcome of which is likely to result in significant changes to the structure of the unit. Communications are recognised as an issue as Emergency Response management currently has two separate governance routes. This, along with the opportunity to extend the scope of the EPU to include HHT, should be tested in the review.

It is thought that closer sharing could realise benefits such as economies of scale through the development of standardised (or very similar) plans and improvements in the quality of response to any emergency situation through closer coordination. Without wishing to prejudge the review currently underway, we have assumed a saving of 10-25% (i.e. up to one FTE or equivalent non-cashable saving) could be achieved in this manner.

2.3.14 Revenues and Benefits

Summary

- Revenues and benefits accounts for 64.6 FTEs and £1.6m employee costs within the council.
- Revenues and non-domestic rates teams are achieving upper quartile performance. Benefits performance falls between the median and lower quartiles.
- Further investigation is needed to identify savings. A review should be carried out to investigate process improvements and alternative delivery models.

Size and scope

The council's revenues and benefits function consists of 64.6²⁵ FTEs accounting for £1.6m in employee costs. Revenues and benefits would be the fifth largest in-scope service behind estates.

Benefits is the largest component of the function accounting for nearly 70% of the FTEs and 75% of the employee costs.

Figure 47: Revenues and Benefits FTEs and FTE costs

	FTEs	Cost per FTE	Total employee costs
Benefits	44.6 (includes 4.8 contact centre FTEs)	£26,960	£1,202,416
Revenues	17	21,706	£369,002
Non-Domestic Rates	3	£21,000	£63,000
Total	64.6	£69,666	£1,634,418

The function collects council tax and business rates from residential and commercial property in Herefordshire. This includes administering rebates and discounts, sending out reminders and carrying out inspections and enforcement actions.

The benefits team administers housing benefits (HB) and council tax benefits (CTB). This includes processing benefits claims, recovering overpayments and investigating potentially fraudulent claims. The benefits team also includes 4.8 customer facing FTEs within the contact centre who deal with HB and CTB queries from the public.

Performance appraisal

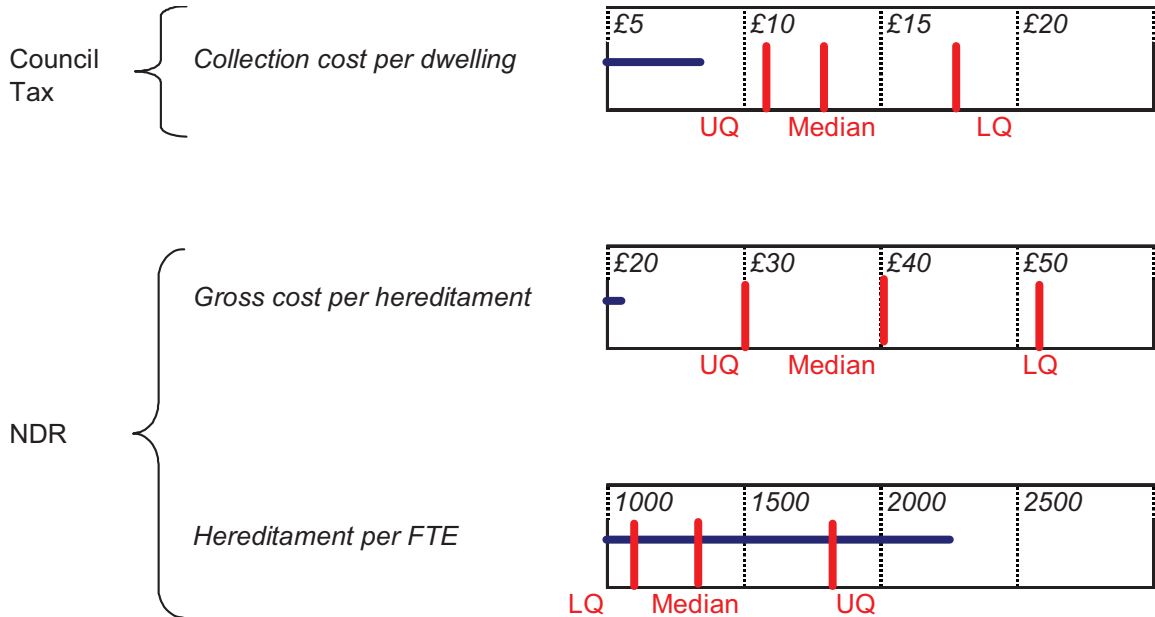
The revenues and benefits function participates in the CIPFA benchmarking club which compares Herefordshire's performance against that of other Local Authorities. The following benchmarks and data have been taken from 2008 CIPFA results.

²⁵ FTE count from CIPFA returns for Benefits, Council Tax and Non-Domestic Rates (NDR) 2008

The function performs well on Council tax and Non-Domestic Rates (NDR) performance measures, outperforming the upper quartile. Collection cost per dwelling is £8.81 against the CIPFA upper quartile measure of £11.3. In the NDR, gross cost per hereditament is £21 against upper quartile figure of £30.

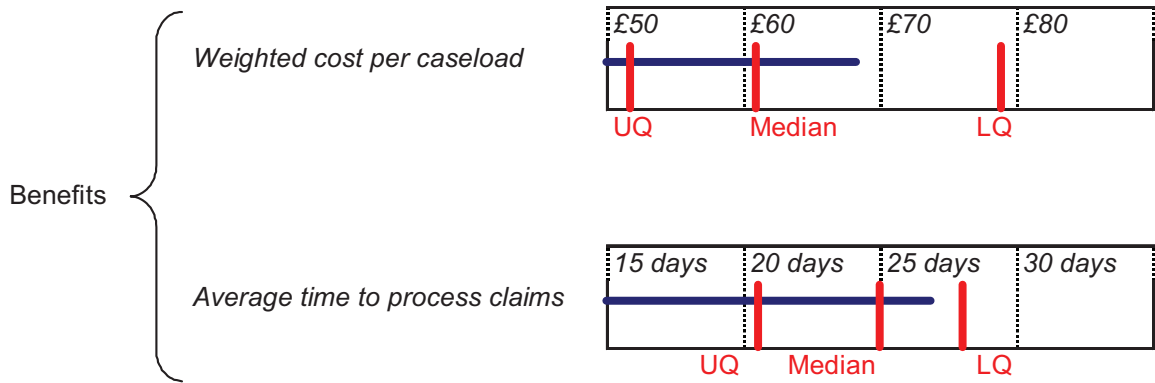
Although HC benefits from low salaries²⁶ the high performance suggests that good use is already being made of technology to automate processes.

Figure 48: Council tax and NDR cost metrics



Benefits performance is less positive. The 'weighted cost per case load' performance is £68 against a CIPFA upper quartile of £54 and the 'average time to process claims' is 27 days against upper quartile figure of 21.

Figure 49: Benefits performance metrics



²⁶ Council tax cost per FTE is £21,706 against a national average of £26,069

Realising improvements

Council tax and non-domestic rates is already within the upper quartile and outsourcing is unlikely to result in significant cost savings. However, since benefits does not perform as well and accounts for 75% of employee costs, a more detailed review should be undertaken to identify opportunities for savings. The review should look at opportunities for process improvement and investigate potential benefits of alternative delivery models such as partnerships with neighbouring authorities or technology suppliers.

The SSPB confirmed at its meeting of 6th August 2009 that revenues and benefits are to be included in scope in implementing the shared services strategy.

2.4 Case for change summary

The three partners have a total combined FTE count of 526. Our analysis shows that several of the larger in scope functions are bigger than they need to be. For example, the combined finance function is 35-40% larger than upper quartile performing functions. Similarly, HR is 36-39% off upper quartile performance.

Where KPIs have not been available to size the target organisation we have used our experience to estimate the savings range. Experience shows that a successful change programme, reviewing processes bottom up, can realise savings in the range of 10-25%. In most cases the savings potential is sufficient to justify moving to a shared service model, or at very least, a more detailed review of the options for sharing.

Adopting a shared service could lead to savings in the range of 104 – 140 FTEs or £4.2m - £5.4m across the partners. The largest savings would come from the Transaction Processing and Routine Service lines where headcount could be reduced by 62 – 72 FTEs.

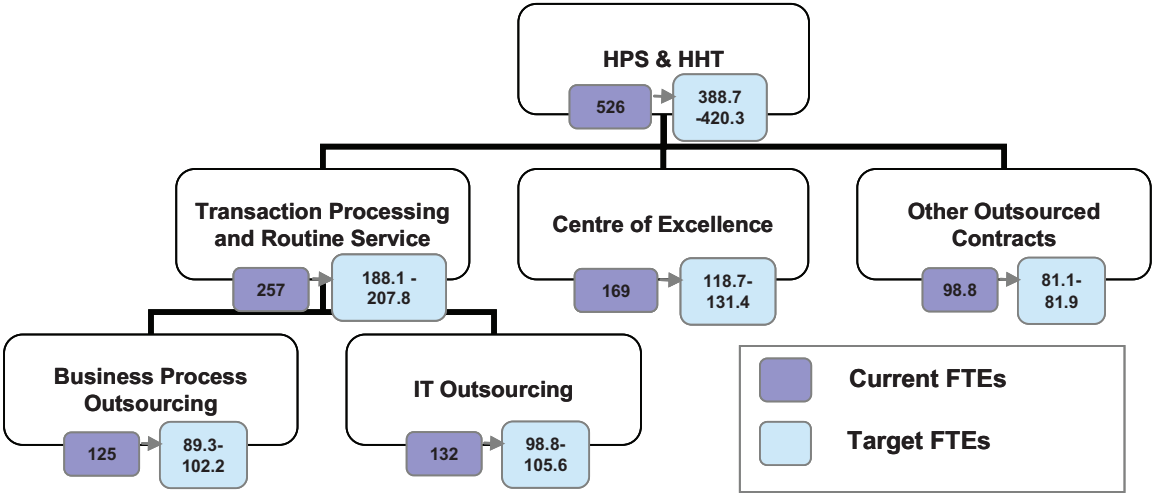
There are areas where savings will not be made by headcount reduction. For example, we are confident that the procurement function can quickly realise savings through improved procurement practices but may need to increase its strategic capability to do so.

Table 6: Summary of annual savings estimates following full transition

Savings estimates (range)	Low FTEs	Low £	High FTEs	High £
Procurement	n/a	£886,000	n/a	£886,000
Finance	35.5	£1,025,403	40.3	£1,206,231
HR	27.8	£771,875	30.7	£873,629
Payroll & Expenses	0.0	£0	2.2	£55,935
ICT	28.7	£995,941	37.1	£1,177,654
Estates	7.0	£292,393	17.4	£730,983
Transport	3.4	£131,852	8.4	£296,676
Communications	1.0	£47,310	2.5	£118,274
Emergency Planning	0.4	£17,650	1.1	£44,126
TOTALS	103.7	£4,168,424	139.7	£5,389,509

A summary view relating current headcount to a target state featuring elements of transactional and routine processing, a centre of excellence and other outsourced contracts is given in Figure 50.

Figure 50: High level view of current and target headcount



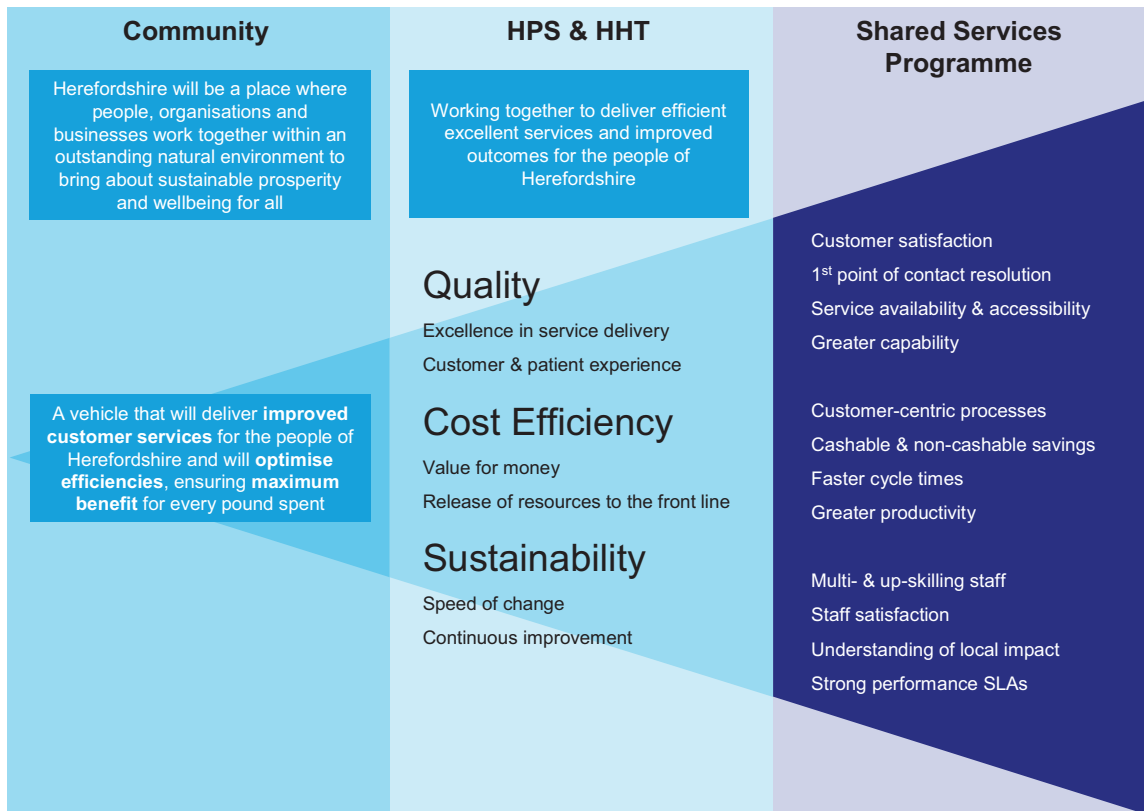
It can be seen that the reduction in FTEs is 104 to 140 at the top level, and:

- BPO and ITO services see a combined reduction of 49 to 69 FTEs
- The CoE service lines would reduce by 39 to 52 FTEs
- Services relating to other outsourced contracts would be reduced by 17 to 18 FTEs.

3 Objectives

The objectives of HPS & HHT and the Shared Services Programme cascade from the Herefordshire Community Vision and Strategic Aims. These were discussed in working sessions with senior stakeholders to create a consolidated view of the key drivers that HPS & HHT must address to deliver value, as illustrated below.

Figure 51: Relating Herefordshire's vision to the Shared Services Programme objectives



The three key objectives of Quality, Cost Efficiency and Sustainability directly relate to the demands made of the Shared Services Programme and inform the design principles (see chapter 4).

3.1 Quality

Key to improving customer services is the quality of the customer or patient experience. This can be measured; for example through customer satisfaction, the number of queries resolved at first contact and the availability and accessibility of services through different channels.

These objectives must be met through standardisation of services allowing better monitoring of quality outputs, integrated systems enabling greater information quality and the design of effective processes.

While the Shared Services Programme deals primarily with support services and not customer-facing roles, each service has its own customers, be it IT users requiring help through IT support or budget

managers being aided by the central Finance team. The design of delivery models must treat the users as customers in this manner to ensure the quality of service delivery.

3.2 Cost efficiency

Key to the success of the SSP will be the ability to release resources to the front line. Cashable savings allow investment in front line services, but the non-cashable savings that arise from freeing up time also contribute as staff can focus on higher value-adding activities.

Support services delivering exactly what their customers need, responding quickly and consuming little time and effort equate to excellent value for money. The SSP must deliver increased productivity, faster cycle times and waste-free processes with this knowledge of what their customers require.

Purchasing power gained by serving all three partners simultaneously enables further savings not only through 'bulk-buying' economies of scale, but through the quality of service improvements that specialist contract management skills bring.

3.3 Sustainability

The Shared Services Programme must not only enable an increasingly high quality and efficient HPS & HHT as the programme progresses, but be able to do so on a sustainable basis once the programme is completed. It must embed the principles of continuous improvement so that further benefits can continue to be realised beyond the timescales of the SSP.

This will involve building the skill levels of staff to enable them to take on multiple roles and growing their job satisfaction such that they feel able to contribute fully to the HPS & HHT goals. Good communication between all parties will be important both to ensure continued quality of service and to allow experiences to be shared and thus lessons learned.

HPS & HHT must maintain a high standard of service, requiring strong performance-focussed Service Level Agreements (SLAs) and a strong 'intelligent customer' function. The programme must move quickly and deliver benefits rapidly, but not without consideration of the impact the changes will have on the people and economy of Herefordshire.

3.4 Measures

These high-level objectives are directly related to the types of performance measure to be used later in this business case and in the ongoing management of such a service. Here we take Finance as an example of how the objectives drive the metrics in an outline 'balanced scorecard' that ensures the function is aligned with HPS & HHT as a whole.

Table 7: Example measures for Finance function

Type	Measure	Purpose
Quality	Internal service satisfaction survey	Tracks performance as perceived by the customer
	Error-correction journal entries as a percentage of total entries	Monitors confidence in data integrity and effort expended re-working data entry
	% of invoices paid within 30 days	Meeting commitments to (local) suppliers
Cost efficiency	Total finance FTEs as a percentage of total organisation FTEs	Tracks overall resource consumption relative to peers
	Financial Accounting FTEs per £m Gross Revenue Turnover	Tracks overall resource consumption relative to peers
	Invoices processed per Accounts Payable FTE	Productivity in repetitive transactional tasks
	Average cycle time in working days to complete the monthly consolidated financial statements	Speed of performing a standard process
	Staff costs per 'perform general accounting' FTE	Tracks spend on staff relative to peers
Sustainability	Adherence to Service Level Agreements (SLAs)	Tracks performance relative to agreed targets
	Staff satisfaction survey	Measures degree of engagement with and commitment to the organisation's goals
	Staff turnover	Indicative of staff satisfaction
	Number of improvement initiatives started	Monitors continuous improvement activity

4 Models and options

This chapter describes and evaluates a variety of models that need to be taken into account when considering the transformation of corporate support services to a shared service environment. The analysis is based on leading edge thinking on the topic of shared services in both public and private sectors, and this thought leadership has influenced a set of design principles agreed with senior stakeholders and the Programme Board. The evaluation criteria used to analyse the various model options have been derived from these design principles

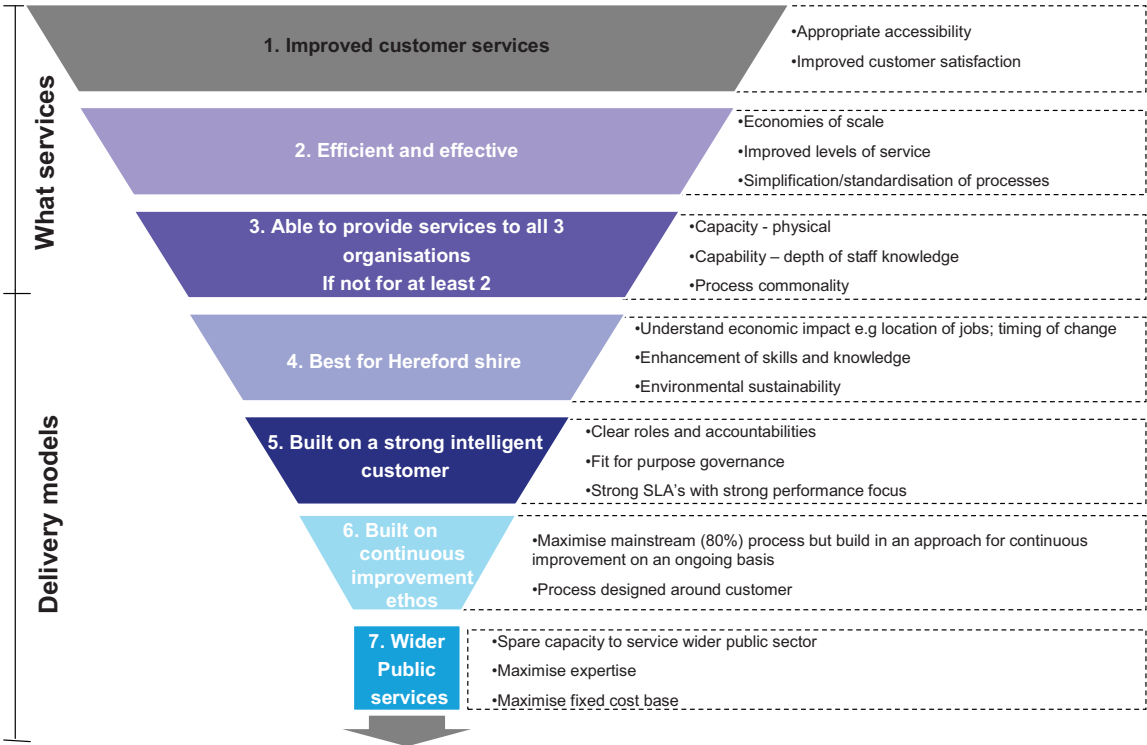
4.1 Design principles

In order to inform the debate on an appropriate vision for HPS & HHT shared services, a workshop with senior stakeholders considered the design principles that will underpin the future shared services organisation. The design principles proposed are structured around four dimensions of business change:

- People – the culture, behaviours and capabilities of those involved in providing corporate support services to the business need to be outlined so that customers know what to expect, and managers and staff know what is expected of them
- Process – the aim must be to ensure that transaction processing and routine services are both efficient in terms of timing and cost, and effective in respect of the results delivered
- Systems – an effective shared service community needs the right tools to do the job and therefore any design must ensure that the best use is made of existing and emerging technologies
- Organisation – the way in which shared services and the people delivering these are organised is vitally important to meeting the corporate support service needs of the business.

The design principles agreed by the SSPB are illustrated below in Figure 52 below:

Figure 52: Design Principles



Levels one to three help to assess what corporate support services should be considered for the proposed shared services environment. For example, level three assesses whether or not a service can be shared by two or more of the participating organisations. If it can be, then the service may be considered as being in-scope as long as it can also be made more efficient and effective, and improvements can be made to accessibility and quality of service for internal customers through a shared service environment.

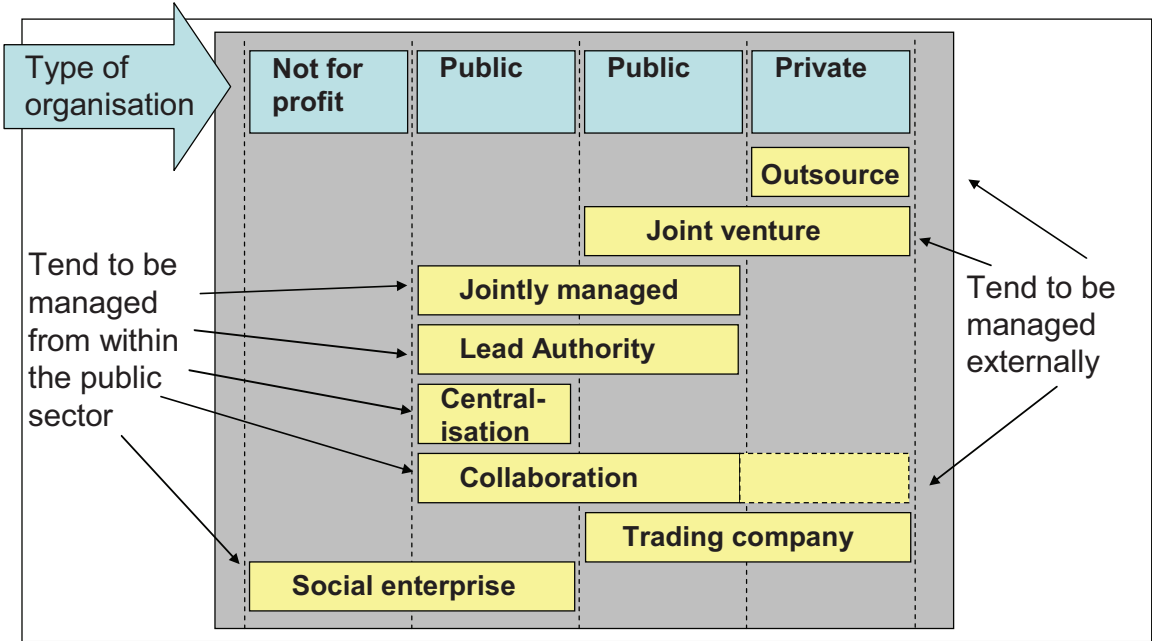
Levels four to seven help to assess the appropriateness of the possible delivery models. For example, level four assesses whether or not a model will provide environmental sustainability, enhancement of skills and knowledge, and capacity in order to deliver the best for Herefordshire. If these factors can be met by the model and it can meet all of the other design principles then the model may be considered appropriate for HPS & HHT subject to favourable comparison with other options.

As noted in the introduction to this chapter, the design principles are used as the basis of evaluating the various model options presented in the sections that follow.

4.2 Entity model

An entity model refers to an arrangement by which HPS & HHT could legally establish a shared services organisation in order to provide the various in-scope service offerings to 'internal' customers. The types of entity model are illustrated below in Figure 53 and described in more detail in the text that follows:

Figure 53: Entity Models



We have based the evaluation of the appropriateness of each of the Entity Models on the extent to which the model would offer:

- Incentives for improving the quality in service delivery and cost efficiency
- Greater access to additional finance
- Retained control over performance while offering independent service provision
- A reasonably straight forward path to the target performance and cost base
- Sustainable performance and cost efficiency, with capacity for growth.

The discussion that follows is set out in greater detail at Appendix B4. In addition, Appendix B5 sets out a range of shared service experience and learning which has helped in shaping the model for Herefordshire.

4.2.1 Social Enterprise

Social enterprises are frequently characterised by their ownership structures. In health and social care they have varied and flexible governance and legal structures. Some have membership structures or are owned by their staff, while others are registered charities with ‘ownership’ invested in a board of trustees, and there is a mix of hierarchical and flat management structures.

Social enterprise models were not considered appropriate by senior stakeholders and the Programme Board as they best serve front-line operational services.

4.2.2 Not for Profit models

Not for profit models have been successfully used to improve the quality and cost efficiency of corporate support services such as legal services. It is often expensive and difficult to attract in-house

lawyers capable of matching the quality of service that is regularly offered by leading legal firms. Equally procuring these services for all legal requirements is very costly due to the scale of profit margin under-pinning the fees that leading firms command.

For these reasons not for profit models can be used and structured so as to attract quality personnel for comparable remuneration to that of the leading firms but without the profit mark-up on service fees. Not for profit models were considered appropriate by senior stakeholders and the Programme Board for some of the corporate support service functions such as legal services.

4.2.3 Jointly Managed and Collaborative models

Jointly managed models are where a group of public bodies establish a jointly managed services project (provision may be by one body or shared out amongst them). They may use the same infrastructure/ software/ common standards and may continue to provide the services themselves in the short term.

To some extent this model is already in place for a selection of corporate support services or service lines, and for this reason was not thought to be innovative enough to deliver a step change in the quality and cost efficiency of services. Lack of private sector involvement may also mean a lack of commercial focus, enhanced skills and knowledge.

4.2.4 Lead Authority and Centralisation models

The lead authority model is where one public body provides one or more shared services on behalf of a group of public bodies. As with the jointly managed model they may use the same infrastructure/ software/ common standards and may continue to provide the services themselves in the short term.

Although a solution could be reached reasonably easily, the biggest sticking point with this model was that there is a perception by some parties that it does not offer true independence of the shared service centre.

4.2.5 Trading Company

The trading company model is where the shared services are delivered at 'arm's length' from the partner bodies, and the 'arms length' organisation is run 'for profit'.

While at first glance this model ticks many of the criteria, there were a number of significant reasons why this option was discounted. Some parties were unconvinced that it could offer true independence. It would be lacking in track record in its own right and without private sector involvement may never attain the desired performance and cost efficiency targets. In addition staff are unlikely to retain public sector status, introducing the likelihood of trade union opposition and the need for TUPE transfer.

4.2.6 JV versus Outsourcing with Strategic Partner(s)

The JV model is where the three organisations form a separate legal entity with one or more private sector providers.

The outsourcing model is where one or more organisations contract to purchase services from one or more private sector suppliers.

The conclusion reached by senior stakeholders and the Programme Board is that JV's are considerably more complex than other arrangements and take more time to shape, negotiate and put in place than the traditional outsourcing model. If the business imperative requires speed, then this militates against a JV.

There are potentially more ways in which a supplier can be incentivised through a JV however there are more than sufficient ways of aligning the financial interests of outsourcing suppliers to successful outcomes, rendering this a fairly neutral factor.

There are more financing options with a JV although we must remember that there are also good financing options with traditional outsourcing, and there are options for the public bodies themselves to raise finance.

Whether procured via a JV or from an outsourcing provider, the service recipient needs to have control. There may be a need to take quick action, to terminate and replace a provider, or enforce terms which hold the provider to account. They are more easily achievable through outsourcing.

JV's impose a degree of structure which should to a significant extent, reflect and be aligned to their relationship. They are more akin to partnerships and potentially introduce baggage which at best is irrelevant and at worst could seriously hinder HPS & HHT achieving its objectives.

4.2.7 Entity model summary

The Programme Board concluded that a traditional outsourcing model is preferred to JV as it is far less complex. It also offers independence and access to private sector commercial knowledge and skills that none of the other models do. The preference is to procure one or more strategic partners through OJEU for BPO (business process outsourcing) and ITO (IT outsourcing) type services. Other services, such as legal, could be delivered either through a not for profit model or via an outsourced model.

4.3 Service delivery model

A three-part service delivery model which is based on best practice shared service concepts has been accepted by senior stakeholders and the Programme Board:

Part 1: Transaction processing and routine services relate to low value add, repetitive BPO and ITO type processes, such as:

- Finance & procurement: procure to pay, order to cash, record to report
- HR & payroll: source & select, develop & counsel, reward & retain, redeploy & retire, manage information
- ICT: operations, application development & management, knowledge & web services development

Part 2: Centre of excellence will cater for higher value joined-up, cross functional advisory services to business units and corporate centres

Part 3: Contract management will provide advice, planning, monitoring and control for all managed contracts.

We have based the evaluation of what services to include in the scope for the shared services centre on the following:

Transaction processing and routine services

- Is the service or service line common to two or more partner organisations?
- Is the service or service line transactional or routine in nature?
- Is the service or service line low to medium value-add?

If the answer to all three is 'Yes' then the service or service line could be included within the transaction processing and routine services part of the shared service centre.

Note that there may be some future debate over routine services. Services included as routine services such as 'preparation of statutory accounts' could be considered by some as being more appropriate for the centre of excellence. We advise that the boundaries should be reviewed, discussed and agreed as part of the proposed soft market test.

Transaction processing and routine services are typically outsourced.

Centre of excellence

- Is the service or service line common to two or more partner organisations?
- Is the service or service line non-transactional and non-routine in nature?
- Is the service or service line high value-add?

If the answer to all three is 'Yes' then the service or service line could be included within the centre of excellence part of the shared service centre.

Note that the centre of excellence can be both physical and virtual. For example, if management accountants are to add real value they will need to understand the business almost as well if not better than operational staff. So their virtual home may be within the centre of excellence but they may be physically located within operational directorates or business units.

Typically centre of excellence services are retained in-house.

Contract management

As noted in section 2.3.1, the majority of organisations with a similar scale to HPS & HHT would have a more substantial strategic procurement capability, defined as the ability to create and negotiate deals, understand and engage with markets, manage issues arising during contracts, and make decisions on exiting contracts should they be failing. We have recommended that this function is a component part of the shared service centre.

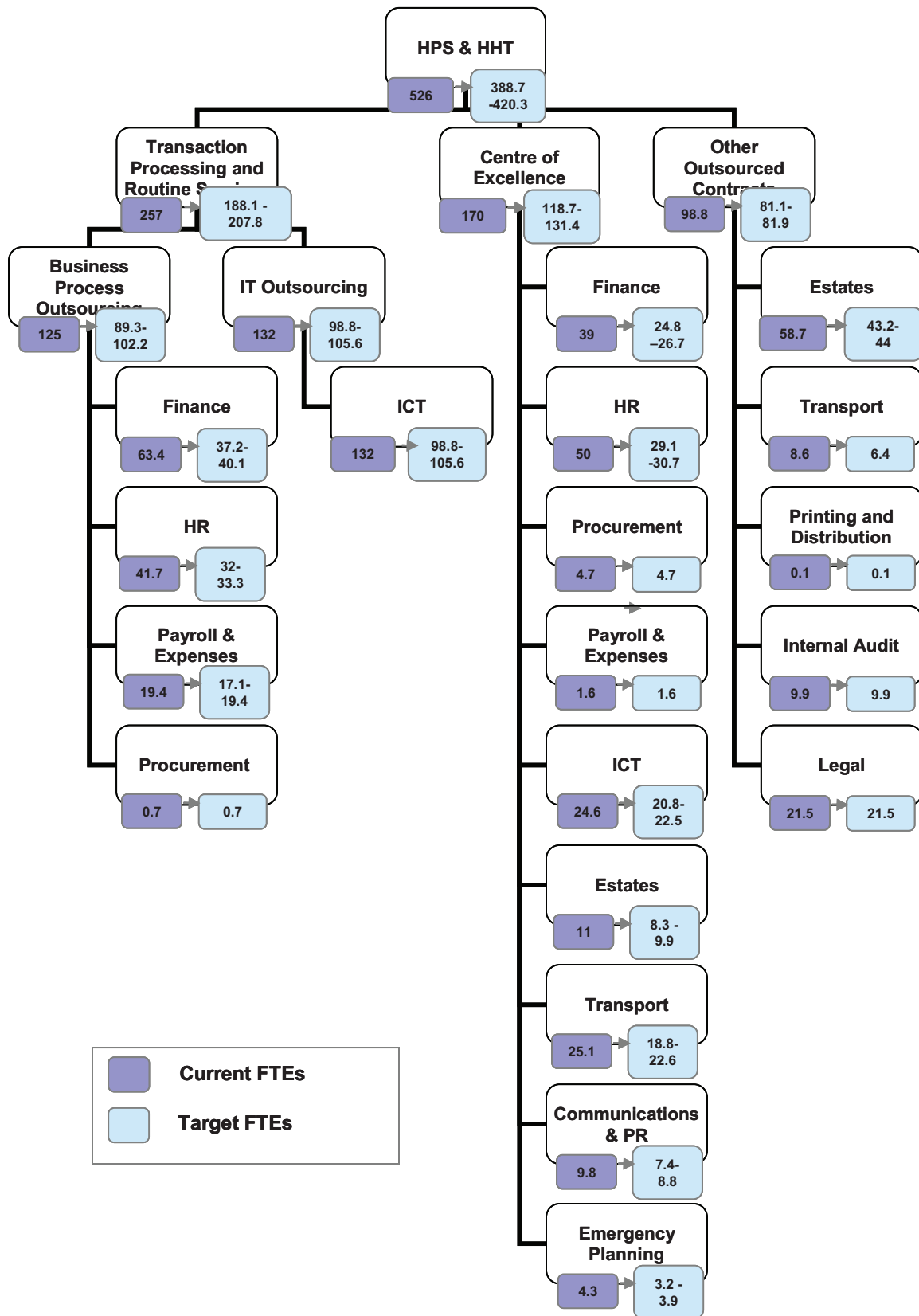
Typically contract management services are retained in-house.

4.4 Organisational model

The service delivery model evaluation criteria outlined above enabled the allocation of services to transaction processing and routine services or centre of excellence within the shared service centre. Note that there were a number of services that were considered out of scope or not appropriate for shared service - we recommend that these services are reconsidered during the soft market test with potential supplier to make absolutely sure that there would be no benefit from them being located either within the transaction processing or centre of excellence parts of the centre.

The services matrix (Appendix A3) provides a detailed analysis of which services or service lines will move to which part of the shared service centre. Figure 54 below provides a summary of this and illustrates, for example, how many FTEs from Finance, HR and Payroll will move to the BPO transaction processing centre and how many FTEs from Finance, HR and Payroll will remain within the in-house centre of excellence service.

Figure 54: Organisational Models



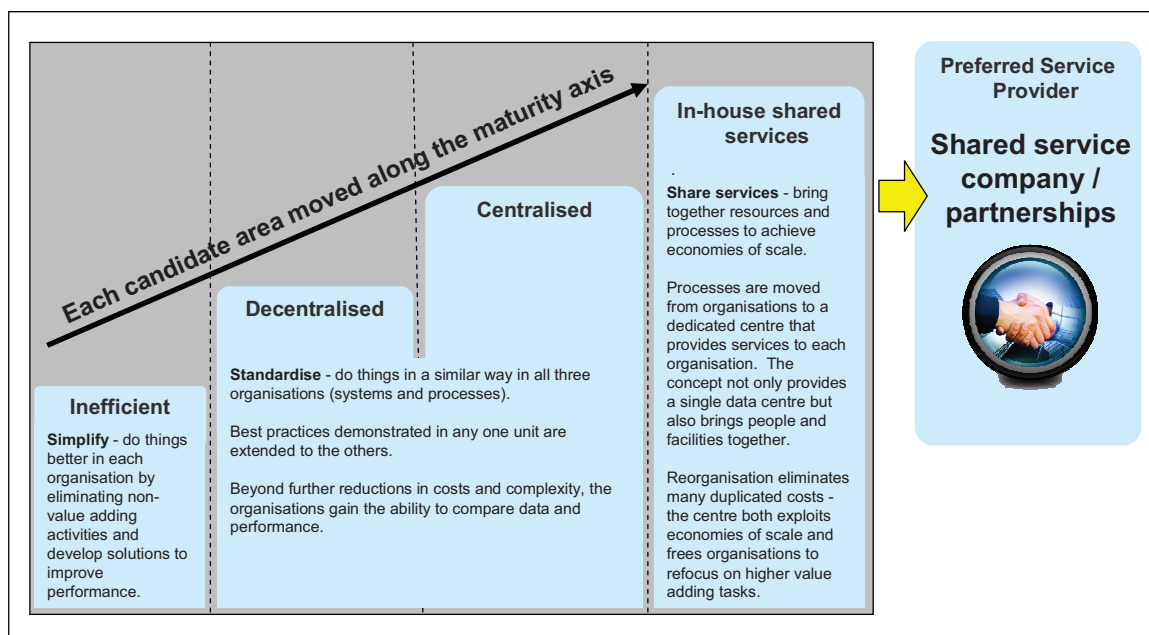
4.5 Maturity model

Often cited as a source of major cost savings and service enhancements in non-customer facing corporate support processes, the shared services concept is already well known and widely used. However research shows that actual achievements in implementing shared service centres fall short of perceived progress. To narrow the gap, organisations intent on pursuing shared services need to know the answers to key questions:

- How do shared services differ from other forms of streamlining?
- What lessons are there on corporate support services getting the most out of implementation?
- What are the critical success factors?

All shared service centres depend heavily on effective systems and telecommunications. Only recent technology improvements allow organisations practical, cost-effective ways of centralising common activities traditionally performed at several locations. A shared service centre represents a big step toward providing lowest cost services to the organisation. Before making this move, companies often simplify and standardise relevant processes within their corporate support services. Figure 55 below illustrates the possible maturity path for corporate support services:

Figure 55: Maturity Model



The maturity path can be described as follows:

- **Simplify** - do things better in each organisation. This approach involves basic BPR (business process re-engineering) within each organisation to eliminate non-value adding activities and develop solutions to improve performance. Some organisations achieve cost savings around 30% by simplifying. Within public sector bodies, such as scale of savings will undoubtedly be the potential but is often much harder to achieve for a variety of reasons
- **Standardise** - do things in a similar way in all organisations. The next model is for organisations to implement common systems and processes. Best practices demonstrated in any one unit are

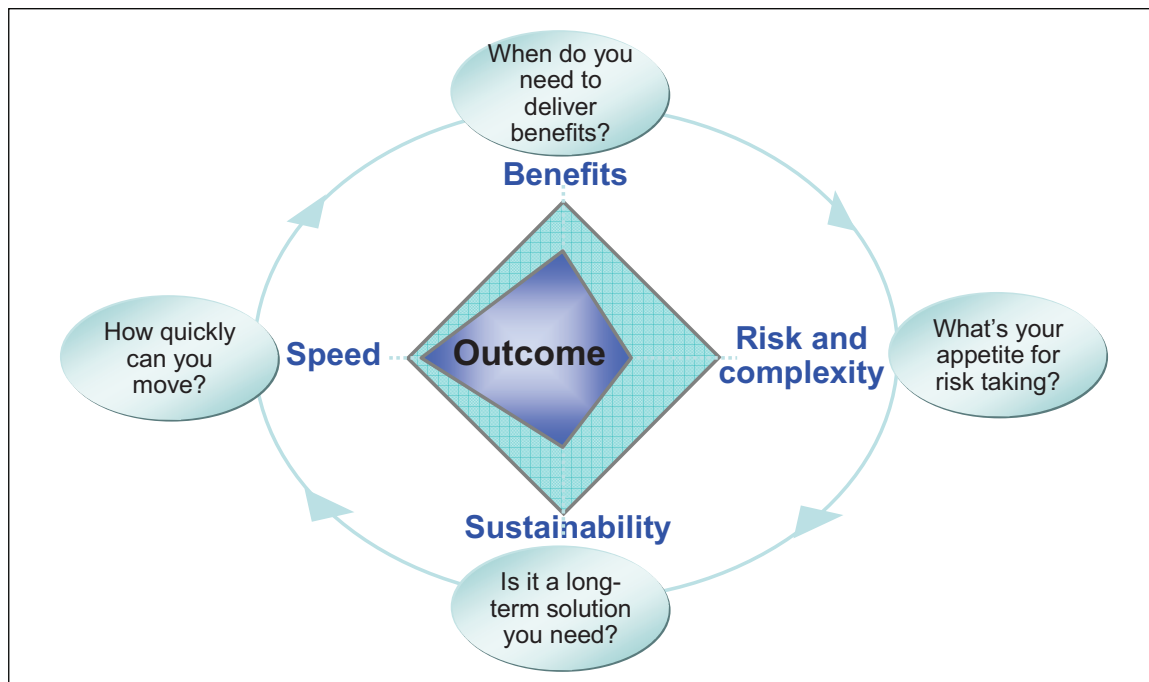
extended to the others. Beyond further reductions in costs and complexity, the organisations gain the ability to compare data and performance

- **Share services** - bring together resources and processes to achieve economies of scale. Processes are moved from organisations to a dedicated centre that provides services to each organisation. The concept not only provides a single processing and service centre but also brings people and facilities together. Reorganisation eliminates many duplicated costs - the centre both exploits economies of scale and frees organisations to refocus on higher value adding tasks
- **Outsource** - use an external service provider. Certain processes may be best managed by 3rd party outsourcers who combine minimal cost with maximum service. Now widely used for functions like facilities management and ICT, outsourcing is increasingly considered for aspects of non-core business processes.

The potential for cost efficiency savings from moving along the entire maturity model is generally between 35-50%, with a target of 20-35% from simplifying and standardising. In deciding whether to outsource services or retain and BPR them internally, a number of factors need to be considered.

Figure 56 illustrates four key dimensions that should be considered before moving up the maturity curve.

Figure 56: Maturity Model Evaluation Criteria



- **Benefits:** In general the advice is to simplify and standardise before considering outsourcing as all too often organisations that go directly to an outsourcer fail to realise the full financial benefit potential while the outsourcer optimises its profit margin from the deal. If an organisation has undertaken the BPR itself it will be more aware of the cost of each service line and will be better placed to negotiate a better deal when it comes to the outsourcing decision.
- **Speed:** Some organisations need to move quickly to achieve improved quality and cost savings from a more effective and efficient service. It is important to ask yourself if you truly believe that

your team can make the change itself. You must honestly appraise your track record in internal BPR and re-structuring - have you actually delivered the benefits you expected in the past? If not, you will need external help or you should simply go directly to an outsourcer at the risk of foregoing benefit.

- **Risk:** Public sector bodies have a tendency to be bullish during the development of such a strategy but as the critical decision point nears, that tendency changes to one which is more risk averse as the scale of the challenge becomes clear. This is particularly evident when they consider the workforce options and there is challenge from local politicians, the press and union representatives. In this case this has the challenge has been substantially reduced with the aim of maintaining the service locally.
- **Sustainability:** Moving too quickly can result in reduced or unsustainable benefits as the service quality and cost efficiency is impaired from a target model that has not been fully thought through. Jumping into a contract with an outsourcer that declares it can deliver for a keen price, without undertaking extensive due diligence, will undoubtedly end as quickly as the relationship began. This is a significant change and one that deserves an appropriate level of research and design detail.

Conclusion

In chapter 7 we have provided two transition plans - one which we believe will provide a sustainable solution over a relatively short transition period, and one which is much more aggressive and moves HPS & HHT to an outsourced solution within 17 months. The risks of each approach are detailed in the same chapter. We recommend that the options are discussed and debated further during the soft market test with potential strategic partners.

5 Appraisal

This chapter provides an economic appraisal of the proposed transformation of HPS & HHT partner corporate support services to deliver within a shared service environment in partnership with one or more outsourcing providers. The appraisal brings together the quantitative benefits from the case for change chapter and our detailed estimate of the costs of transition (provided at appendix C4) to form the basis of the NPV (Net Present Value) calculations. We provide a range of NPV options using low to high costs and benefits.

The chapter goes on to examine the sensitivity of key aspects of the projected benefits and outlines a number of areas that will require more detailed impact assessment in preparation for the transition.

5.1 Economic appraisal

The NPV calculation has been undertaken for the transition plan and an alternative aggressive plan as outlined in chapter 7. For each version of the plan there is a low to high range of benefits (see Table 6 in section 2.4) and costs (see Figure 57 below). In the case for change we used public sector and international benchmarks that provide the potential range for benefits. Our cost schedule is based on two options, one which relies heavily on internal resource and another that is more expensive that recognises that HPS & HHT may need to invest in external expertise to deliver the transition. Further detail on the composition of these two options is provided in Annex 3 (p103).

Figure 57: Summary cost schedule

Team	Total Days	Avg FTEs	Option 1 Cost: Internal Team	Option 2 Cost: External Team
Transition Team	2,379	6	814,530	2,256,742
Contract Management	440	1	215,200	526,635
Strategic Partner Procurement	624	1	585,070	585,070
Business as Usual Team	563	1	225,200	225,200
TOTAL	4,006	9	£ 1,840,000	£ 3,593,647

5.1.1 Cost/benefit scenarios

Four scenarios have been used for calculating NPV cash flows:

- **Low Benefit, Low Costs:** matching the lower level of expected benefits to the low-cost resource plan, assuming no external resource will be required
- **Low Benefit, High Costs:** matching the lower level of expected benefits to the higher-cost resource plan, assuming external resource and specialist expertise will be required

- **High Benefit, Low Costs:** matching the higher level of expected benefits to the low-cost resource plan, assuming no external resource will be required
- **High Benefit, High Costs:** matching the higher level of expected benefits to the higher-cost resource plan, assuming external resource and specialist expertise will be required.

5.1.2 Timing of savings

The timing of the realisation of benefits is set out in Figure 58 and the rationale explained below.

Figure 58: Timing of low savings estimate

Base Plan Low Savings	2009/10			2010/11					2011/12				
	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Procurement Benefits	-	147,000	147,000	162,500	162,500	162,500	162,500	650,000	221,500	221,500	221,500	221,500	886,000
BPR Benefits	0.0%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	50.0%	12.5%	12.5%	12.5%	12.5%	50.0%
	-	410,303	410,303	410,303	410,303	410,303	410,303	1,641,212	410,303	410,303	410,303	410,303	1,641,212
Shared Benefits	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.5%	12.5%	12.5%	12.5%	50.0%
	-	-	-	-	-	-	-	-	410,303	410,303	410,303	410,303	1,641,212
BPR & Shared Benefits	-	557,303	557,303	572,803	572,803	572,803	572,803	2,291,212	1,042,106	1,042,106	1,042,106	1,042,106	4,168,424

Truncated Plan Low Savings	2009/10			2010/11					2011/12				
	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Procurement Benefits	-	147,000	147,000	162,500	162,500	162,500	162,500	650,000	221,500	221,500	221,500	221,500	886,000
BPR Benefits	0.0%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	50.0%	12.5%	12.5%	12.5%	12.5%	50.0%
	-	410,303	410,303	410,303	410,303	410,303	410,303	1,641,212	410,303	410,303	410,303	410,303	1,641,212
Shared Benefits	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	50.0%
	-	-	-	-	-	-	410,303	410,303	410,303	410,303	410,303	410,303	1,641,212
BPR & Shared Benefits	-	557,303	557,303	572,803	572,803	572,803	983,106	2,701,515	1,042,106	1,042,106	1,042,106	1,042,106	4,168,424

2009/10 - the base transition plan assumes that 12.5% [A] of total benefits are achievable in 2009/10. Only simplification and standardisation BPR benefits are applicable as shared service is not reached until the third quarter 2010/11. We have assumed that BPR will commence almost immediately and potential benefits from simplification and standardisation (50% of total shared service benefits) have been estimated for the equivalent of three full months of the six remaining in 2009/10.

2010/11 - the base transition plan assumes that 50% [B] of total benefits are achievable in 2010/11. The strategic partner will not be in place until summer 2010 and will take a minimum of six months to migrate services to shared service performance. We have therefore assumed a full year of simplification and standardisation benefits. Due to the accelerated timescales in the aggressive plan, we have added ¼ of the incremental benefits of moving to an outsourced shared service, giving a total of 62.5% [C] for this plan.

2011/12 and beyond - the base transition plan assumes that the shared service is operating at full capacity and performance, so 100% [D] of total benefits are applied.

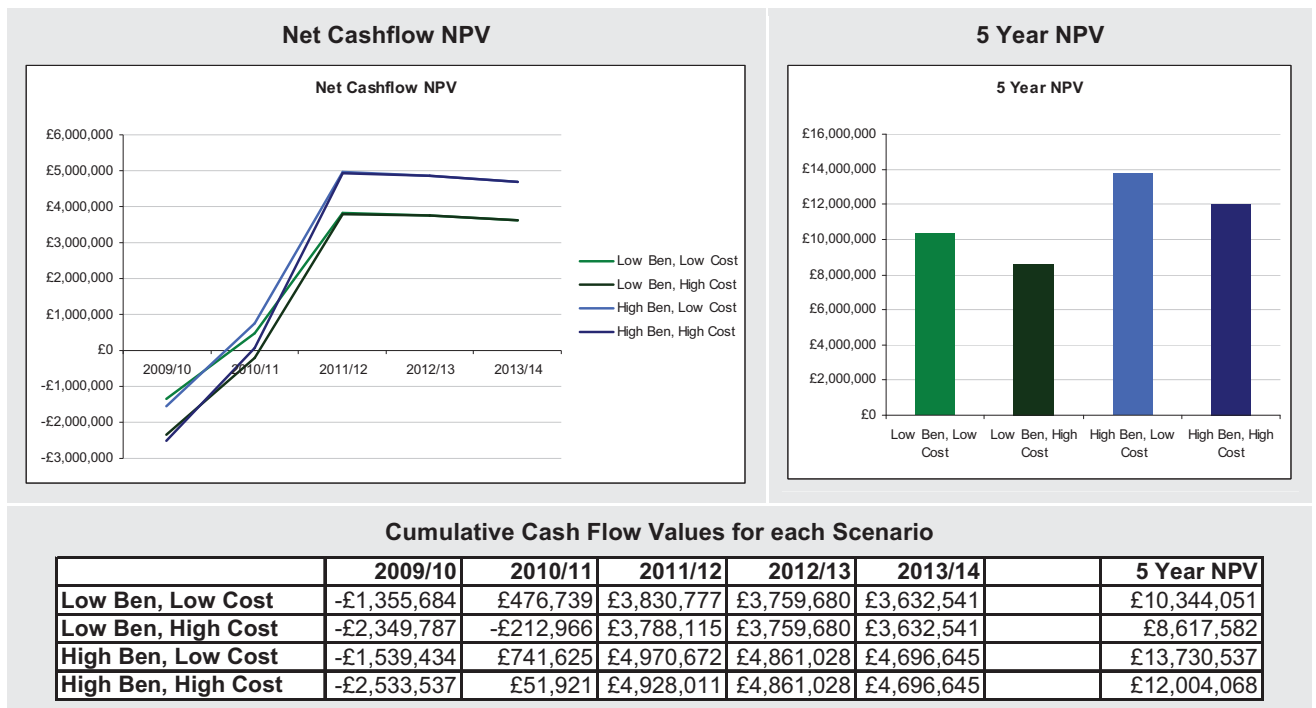
5.1.3 Discount rates and time horizons

We have used a 3.5% discount rate to calculate NPV scenarios, as recommended by HM Treasury²⁷ and as used by HC and PCT when undertaking sensitivity analysis of capital project cash flows. All net cash flows have been calculated over a five year period, with 2009/10 representing year one.

5.1.4 Base transition plan

The charts and tables illustrate NPV analyses for each of the four scenarios:

Figure 59: Net cashflow and NPV for base transition plan



Cumulative benefits range from £15.3 to 19.8M and cumulative costs range from £3.8 to 6.2M over the five year period.

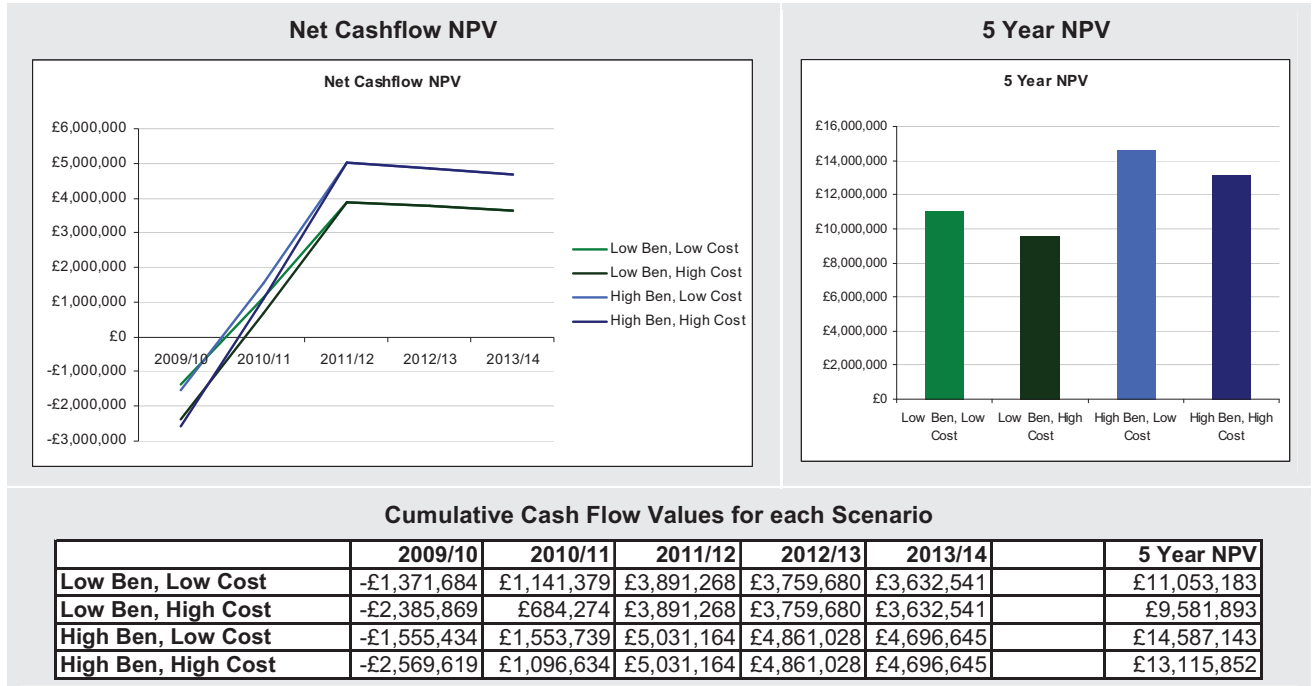
All scenarios demonstrate positive NPVs over the five year period - the lowest at £8.6M and the highest at £13.7M.

²⁷ HM Treasury Green Book 2003, page v

5.1.5 Truncated transition plan

The charts and tables illustrate NPV analyses for each of the four scenarios:

Figure 60: Net cashflow and NPV for truncated transition plan



Cumulative benefits range from £15.7 to 20.3M and cumulative costs range from £4.2 to 5.6M over the five year period.

All scenarios demonstrate positive NPVs over the five year period - the lowest at £9.6M and the highest at £14.6M.

5.1.6 Conclusions

The more aggressive transition plan has higher NPVs for all four scenarios, ranging from an additional 6 to 11%, equivalent to £860k to £960k over the five year period. The estimated additional financial benefits need to be balanced with the increased risks associated with accelerating the transformation. These risks relate to truncating the OJEU procurement and will mean that the process will need to be tightly controlled.

HPS & HHT will have less time to prepare service requirements, bidders will have less time to prepare submissions, there will be less time for meaningful dialogues with bidders, HPS & HHT will have much less time to evaluate bidder submissions, and time for internal governance processes for both HPS & HHT and bidders will also be heavily reduced.

HPS & HHT need to assess whether or not they are prepared to accept these risks for the potential additional benefits that could be realised over the five year period

5.2 Sensitivity analysis

The sensitivity analysis shows how sensitive FTE and cost savings are to changes in assumption made in our analysis. In general all of our assumptions have low sensitivity where the % change in FTEs and costs is less than the test %. The only measure where this is not the case is the Learning and Development KPI where a 1% change in the KPI leads to a 1.2% change in FTEs. More detail can be found in the sensitivity analysis worksheet within the Service Matrix (see Appendix A3).

The analysis shows that a sensitivity of 1% in the input variables would result in a change of 2.4 FTEs and £83k in the upper limit of the savings range. A 5% sensitivity would equate to 12.9 FTEs and £444k in costs.

Figure 61: Sensitivity analysis

	KPI/Variable	KPI Value	Test	Test KPI/Variable	Varied result FTE	Varied result £	FTE	Difference £	% change FTE	% change £	Sensitivity
Finance	CIPFA best in class	1.42%	1%	1.434%	62.5	£ 2,313,595	0.50	£ 17,385	0.806%	0.757%	Low
HR	CIPFA Upper Quartile	0.72%	1%	0.727%	47.8	£ 1,637,382	0.30	£ 11,166	0.632%	0.687%	Low
Learning & Development	Saratoga upper quartile	0	1%	0	11.62		0.14		1.220%		Medium
Payroll & Expenses	Payslips per FTE	11,823	-1%	11,705	18.9	£ 502,846	0.10	£ 3,206	0.532%	0.642%	Low
	Expenses processed per FTE	4,725	-1%	4,678	18.8	£ 500,953	0.00	£ 1,313	0.000%	0.263%	Low
ICT	ICT FTEs per end user	16	1%	16.16	104.9	£ 3,825,405	1.10	£ 37,875	1.060%	1.000%	Low
Estates	Estimated savings from BPR	25%	-1%	24.75%	52.5	£ 2,200,258	0.18	£ 7,310	0.338%	0.333%	Low
Transport	Estimated savings from BPR	25%	-1%	24.75%	25.4	£ 843,401	0.09	£ 2,802	0.353%	0.333%	Low
Comms & PR	Estimated savings from BPR	25%	-1%	24.75%	7.4	£ 356,005	0.02	£ 1,183	0.333%	0.333%	Low
Emergency Planning	Estimated savings from BPR	25%	-1%	24.75%	3.2	£ 132,819	0.01	£ 441	0.333%	0.333%	Low
Total					334.1	£ 11,813,024	2.44	£ 82,682			

Notes:

1% test has been applied to measure the FTE and cost impacts of not achieving the upper savings range target.

Savings from headcount reduction not estimated for Procurement or Print and Distribution.

5.3 Impact assessment

We advise that as part of the Rationalisation strategy development referred to in chapter 7 the Programme Board should commission a full assessment on the following:

- Impact on community - HC is the largest employer locally and both the PCT and HHT also provide significant employment locally. Public interest will be aligned to maintaining employment for local people in Herefordshire and they will want reassurance that any strategic partner will locate the proposed shared service centre locally
- Impact on workforce - those transferring to the shared service organisation will want reassurance that their pay and conditions will not be impaired and that there will be opportunities for their personal development. Those released from current posts will need support to transition to other employment opportunities
- Impact on customers - transforming services of this nature is complex and time consuming and unless tightly managed may have an adverse impact on the level of current service provision. Internal customers will want reassurance that the changes will result in an improved service and that current services will not be adversely affected
- Impact on management - managers are overloaded at the best of times and good managers tend to be involved in a range of change initiatives as well as their day job. The rapid timeframe will put further strain on these managers as they will undoubtedly need to spread themselves even thinner for the interests of their functions and their people
- Impact of existing suppliers - moving to one or more strategic partners across the three participating organisations will result in some existing contracts terminating or not being renewed. The impact of this will be greatest where these firms are local or have a local presence and where contract termination will have a significant effect on their business and workforce requirements.

These are some of the significant interest that may be at stake but there may be other key stakeholders for which the impact of the proposed changes will need to be assessed.

6 Results

This chapter sets out the overall results of the business case and the recommendation by the programme SRO to proceed with the service transformation. The chapter also provides a full list of the recommendations endorsed by the Programme Board.

6.1 Results summary

The three partners have a total combined FTE count of 526. Our analysis shows that several of the larger in scope functions are bigger than they need to be. For example, the combined finance function is 35-40% larger than upper quartile performing functions. Similarly, HR is 36-39% off upper quartile performance.

Where KPIs have not been available to size the target organisation we have used our experience to estimate the savings range. Experience shows that a successful transformation programme, reviewing processes bottom up, can realise savings in the range of 10-25%. In most cases the savings potential is sufficient to justify moving to a shared service model, or at very least, a more detailed review of the options for sharing.

Adopting a shared service could lead to savings in the range of 104 – 140 FTEs or £4.2m - £5.4m across the partners. The largest savings would come from the Transaction Processing and Routine Service lines where headcount could be reduced by 62 – 72 FTEs.

There are areas where savings will not be made by headcount reduction. For example, we are confident that the procurement function can quickly realise savings from better contract management but may need to increase its strategic capability to do so.

The economic appraisal suggests cumulative benefits that range from £15.3 to 19.8M and cumulative costs range from £3.8 to 6.2M over the five year period. All scenarios demonstrate positive NPVs over the five year period - the lowest at £8.6M and the highest at £13.7M.

If a more aggressive transition plan is required cumulative benefits increase to £15.7 to 20.3M and cumulative costs range from £4.2 to 5.6M over the five year period. Again, all scenarios demonstrate positive NPVs over the five year period - lowest at £9.6M and the highest at £14.6M. The benefits of the more aggressive plan need to be balanced with significantly more risk around the procurement of a strategic partner or partners.

6.2 SRO recommendation

Since May of this year we have been assessing whether or not sharing corporate support services across Herefordshire Council, NHS Herefordshire and Herefordshire Hospitals NHS Trust is viable.

The work of the Shared Services Project has resulted in a very credible case in support of making the change. We estimate that in-scope services currently consume 526 FTE resources and £19M per annum. Transforming these services to a shared services environment could release between 104 and 140 FTE resources and £4.2 to 5.4M recurring savings.

The Programme Board has ratified the recommendation of the business case to move quickly to a soft market test with possible strategic partners.

Senior stakeholders have been involved throughout and subject to final approval from JMT, HHT management team, Cabinet, PCT and Trust Boards in September, a procurement exercise for one or more strategic partners can commence.

We estimate that at best we will have implemented the new arrangements by Spring 2010 and at the latest by Summer 2010. To make the change and do it within these aggressive timescales we will need to rapidly build a transition team that includes; commercial, programme management, human resources and change management skills.

We intend to appoint a commercial manager and shared services director as early as possible.

We will then build the right capability around these individuals so that we can make the change without jeopardising current levels of service.

Annie Faulder

SRO & Chair of Shared Services Programme Board

6.3 Full list of recommendations

The following recommendations were endorsed by the Programme Board at the meeting of 6th August 2009.

- Proceed with shared services for a minimum of the agreed in-scope services
- Accept the 'outline business case' for the preferred option (as agreed at the models meeting) and range of costs and benefits predicted
- Move to the next stage of shared services through implementation of four service clusters:
 - Secure immediate cost savings opportunities for procurement
 - IT continue the transformation journey but further consideration should be given to timescales for implementation and opportunity for engaging with an ITO partner, especially if there are benefits in aligning BPO and ITO procurements
 - BPO type services to secure a strategic partner and supporting ERP solution and ahead of this services should be simplified and standardised to secure early savings in line with the business case and benefits
 - Progress the other services subject to planned reviews in some cases and recommended detailed reviews for others
- Adopt a Service Delivery Model with its three component parts:
 - Transition / routine processing
 - Centre of excellence
 - Contract management
- Procure a strategic partner or partners for transactions / routine processing including a potential ERP solution. A soft market test exercise should be undertaken to:
 - Engage with potential partners
 - Assess appetite locally and nationally
 - Understand preferences for ERP solution
 - Assess advantages/disadvantages for them/HPS & HHT re delivery models - JV or traditional outsourcing route
 - Determine whether IT forms part of this package or should stand alone through the soft market test
- Centres of excellence and contract management functions to be retained in-house and re-organised in relation to service need
- Create a Shared Services Transition Team
- Appoint a Shared Services Transition Manager at Director level to work with the three organisations and drive the recommendations forward

- Establish a core team to scope out and undertake the ‘simplification and standardisation’ process work
- Establish shared services governance for the partnership
- Mobilise a procurement project to secure the predicted savings
 - Appoint a commercial manager to provide strategic leadership including contract management and delivery of innovative commercial solutions
 - Merge procurement savings activity under one governing body (combining benefits work on Connects/Shared Services/other activities)
 - Undertake a rapid implementation planning exercise to prioritise savings opportunities and delivery plans
 - Formalise combined procurement targets and delivery programmes and agree with the partnership
 - Mobilise with quick wins targeted to deliver by April 2010.

A high level plan was presented in outline and has been subsequently refined. It is discussed in the next chapter.

7 Transition

This chapter outlines a transition plan (and a more aggressive alternative) for moving in-scope services to a shared services environment in partnership with one or more strategic outsource providers. It also describes the potential risks and the qualitative and quantitative benefits that must be managed.

7.1 High level transition plan

A key factor in achieving success is managing progress to a fully endorsed and resourced delivery plan, which takes into account all the necessary key activities, tasks and dependencies required to achieve that success. An outline transition plan for HPS & HHT is set out in Figure 62 below and a more detailed version of this plan in Appendix C1.

Figure 62: Summary transition plan

Shared Services Programme Summary Transition Plan V0.13 Workstream Key Tasks/Activities	Elapsed Time (months)	2009/2010					2010/2011				2011/2012		
		Mobilisation		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
		August	September										
SS00: Ratify and Approve Strategy and Business Case	n/a	06/08/09	10/09/09										
Present Business Case to SS Steering group	1			30/09/09									
Present Business Case to Cabinet	1												
Gain approval to proceed	1												
SS01: Develop and Agree PID Programme and Appoint Project Team	1			15/09/09									
Appoint Project Team	2				07/11/09								
SS02: Develop and Agree Rationalisation Strategy and Plan *	4					18/12/09							
Complete change impact assessment of proposed improvements and Shared Service centre migration	2						15/01/10						
Realise Benefits (Procurement; BPO)	3							23/04/10 & 30/06/10					
SS03: Undertake Soft Market Test	1			02/10/09									
Expand HPS Membership	4.5							31/12/09					
Complete OJEU Procurement of Strategic Partner	11								25/06/10				
Finalise Commercial and Partner's Due Diligence	2									16/07/10			
SS04: Deliver Contract Management	2			30/10/09									
Appoint Commercial Manager	6								22/04/10				
Realise Procurement Quick Wins **	2												
SS05: Undertake BPO for Finance and HR	2			30/10/09									
Appoint Shared Services Transition Manager	6								14/05/10				
Develop and Implement Standardised Processes	8									26/03/10			
SS06: Undertake IT Outsourcing	6												26/02/11
Consolidate Service Lines into a Single Integrated Service	4												
Transition to Full Shared Service Delivery Model	6												
SS07: Validate Other Opportunities	4												
Develop & Ratify Service Delivery Model	6								29/01/10				
Transition to Agreed Delivery Model	9									30/04/10			
SS08: Manage Migration to Shared Services	4												
Develop & Ratify Detailed Design for Shared Services	6												
Transition in line with BPO										28/05/10			
Transition to full Shared Services										30/04/10			
Transition to full Shared Services													26/02/11

* The Rationalisation strategy sets out the process for realising and sharing benefits, and the agreed procedure covering rationalisation and redeployment.

** Procurement benefits are realisable in cash terms over 12 months, and should rise to approx. £800k+ per annum if the procurement strategy is delivered

7.1.1 Introduction

The transition plan is predicated on five key assumptions:

- The strategic partner providing BPO services will provide a suitable ERP platform to underpin service delivery
- An interim shared service consolidating the in-scope services into an in-house shared services operation is proposed for quarter one 2010/2011
- This internal unit will be located in Plough Lane
- A contract management team and centres of excellence will be established during quarter three 2009/2010
- Benefits will be realised around four clusters:
 - Quick win procurement gains realised and yielding benefits from April 2010
 - Headcount reductions from establishing the in-house service during quarter one 2010/2011
 - Migration of the internal operation to full shared services by quarter four 2010/2011
 - Migration of the re-engineered ICT organisation to full shared services by quarter four 2010/2011

7.1.2 Overview of workstreams

This section sets out the key objectives of each of the transition plan workstreams

SS00: Ratify & Approve Business Case

To ensure all Partners and Members fully endorse the strategy and delivery plan, and in addition that all necessary funding is in place to support delivery.

SS01: Programme and Project Management

To provide the detailed planning necessary to underpin all workstreams and key milestones, and on-boarding the three key internal transition roles:

- Shared Services Transition Manager
- Commercial Manager
- Business As Usual Manager (part of the transition team)

In addition, the workstream will establish the PMO (programme management office) and ratify the reporting structures, underpinned by a diarised forward schedule of steering group meetings.

SS02: Change Management and Benefits Realisation

To establish and manage on-going communications and stakeholder engagement, and to determine the rationalisation strategy and plan for benefits realisation and headcount reduction.

SS03: Undertake Soft Market Testing and Procure Strategic Partner

To undertake a soft market test and OJEU process to procure the strategic partner who will work with HPS & HHT to establish full shared services and take responsibility for operations once established. It is the most critical element of the transition plan, and is further detailed in the section that follows.

SS04: Deliver Contract Management

To implement the procurement strategy, the hub of which is establishing an over-arching contract management centre of excellence, providing procurement support and advice for HPS & HHT partners. In addition, the workstream will negotiate commercial arrangements for a targeted range of commodities which will realise significant savings during 2010/11.

SS05: Undertake Business Process Outsourcing for Finance and HR

To implement improvements to existing processes in support of establishing an internal shared services organisation from quarter one 2010/2011, and to ensure that business as usual service levels are maintained.

SS06: Undertake IT Outsourcing

To complete the planned ICT developments. The current plan sees full transition to shared services happening after quarter four 2011/12. It may be run BPO and ITO procurements and migrations in parallel although it is accepted that there are limits to the capacity and capability for simultaneous change.

SS07: Validate Other Opportunities

To validate and deliver the appropriate solutions for the remaining in-scope services. SS07 sets out a generic delivery plan for these although it is recognised that each service is at a different stage of maturity and may already experience sharing across two or more partners.

SS08: Manage Migration to Shared Services

To design the shared services target operating model and oversee the transition to the envisaged internal arrangements by quarter 1 2010 and the eventual outsourcing in 2011. This workstream will also define the governance model and performance measurement and management systems.

7.2 Procurement of a strategic partner

Introduction

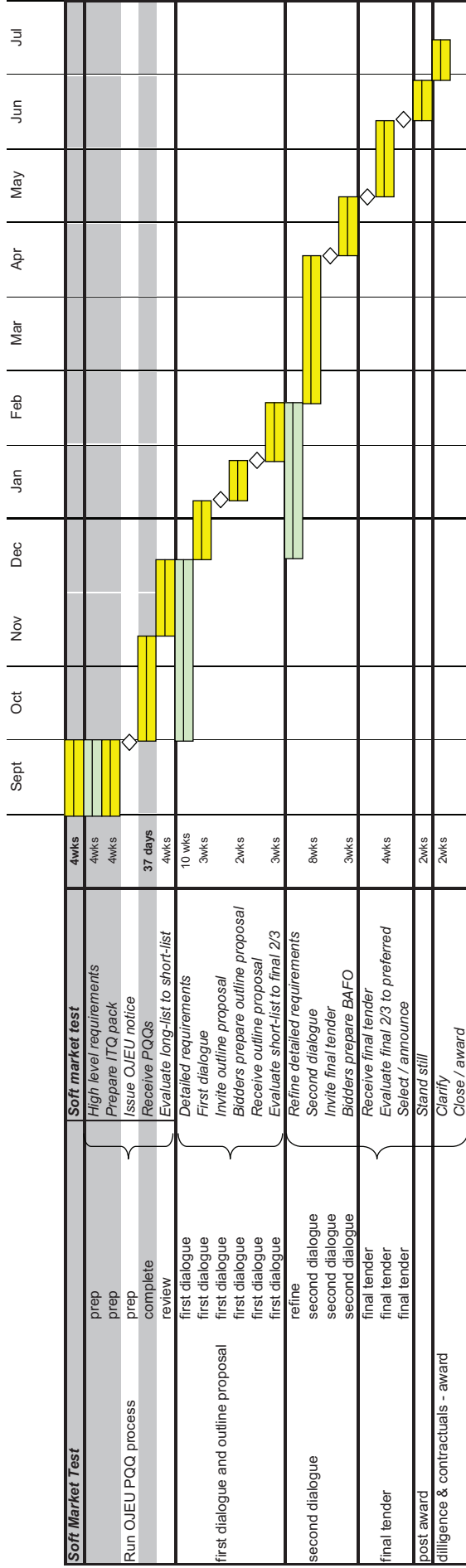
The basis of a successful transition will be the procurement of the right strategic partner or partners. Given the scope and size of this procurement, it will need to be governed by the formal process set out under OJEU regulations. Prior to the OJEU process we have advised a soft market test.

The objective of the soft market test is to ascertain the degree of interest from prospective partners in the HPS & HHT proposition, and to understand their preferred options for service delivery. In addition,

the testing will help to crystallize the options for ERP platform, i.e. they may or may not have a preference for a particular ERP and they may be able to provide such a platform at lower cost than if undertaken internally.

The detailed plan for the procurement of a strategic partner is illustrated in Figure 63 below and described in the text that follows.

Figure 63: Detailed plan for procurement of strategic partner



7.2.1 Understanding the procurement process

Overview

To undertake the OJEU procurement process in order to select a strategic partner or partners who will work with HPS & HHT to establish full shared services and take responsibility for operations once established.

It is likely that a number of procurements will need to be undertaken in parallel:

- Category A: separate lots for BPO and ITO services
- Category B: separate procurements for standard bought-in services, e.g. Internal Audit

A key deliverable prior to undertaking the OJEU process will be the drafting of a formal Procurement Strategy, which will set out the rationale and approach, detailing each step to be taken, with expected timescales and deliverables. The strategy will determine the separate lots and procurements.

During this initial period we advise that HPS & HHT make a concerted effort to promote the benefits to other major public services (e.g. Police, Fire service etc) so that membership is increased. This will make the overall prize more attractive to the market and will encourage the larger players to bid. This will run until the end of quarter three 2009/10.

The remaining sections focus on the Category A procurement.

a. Undertake soft market test (4 weeks elapsed time)

To assess the viability of outsourcing for HPS & HHT and investigate the various options for each service line available across the marketplace. This will involve a series of informal discussions with suppliers across the marketplace to explore options and possibilities for service delivery models, operating models and ERP preferences.

b. Run OJEU PQQ process (13 weeks)

To define high level requirements (based on the shared services strategy), preparing the ITQ pack (incorporating the PQQ questionnaire), then managing the OJEU process.

This will involve posting the formal OJEU notice and evaluating the subsequent PQQ returns against predetermined criteria set out in the ITQ.

During the OJEU PQQ timescales, it is expected that around 40 returns could be received from prospective suppliers. This large number will be reduced during the evaluation process, and a short-list of suppliers will be identified to engage with during subsequent stages of the procurement.

The procurement team will receive and process any supplier queries / requests for clarification, ensuring all respondents receive the full list of Q & As produced as a result.

Note: the PQQ process must be kept open for a period no less than 37 working days.

c. Undertake first dialogue and review outline proposals (4.5 months)

As a result of the soft market test and the PQQ process, the HPS & HHT requirements will be further informed and updated to reflect what the market is saying. In addition at this stage, there will be an opportunity to for dialogue with suppliers on the short-list.

Once the requirements have been ratified, each short-listed supplier will be asked to submit an outline proposal. These proposals will be reviewed and scored against the requirements to identify the top 2/3 suppliers who will remain in the process.

d. Refine detailed requirements and invite final tender from short-listed suppliers (5 months elapsed time)

During this period, a further dialogue is opened with the short-listed candidates to further refine the identified detailed requirements. As a result, the 2/3 short-listed suppliers will be invited to prepare and submit their final tender (“BAFO” – Best And Final Offer) for consideration.

e. Evaluate final tender documents and select preferred bidder (4 weeks elapsed time)

During this stage, the BAFO submissions are evaluated, and the preferred strategic partner(s) identified.

g. Post notification of preferred bidder(s) (2 weeks elapsed time)

As part of the formal process, it is necessary to post an OJEU notice stating the winning bidders, and hold this notice for a lie period of 2 weeks.

h. Finalise commercials and partner's due diligence (1 month elapsed time)

Following the statutory two week notification period, the partner will undertake a short period of ratification/ due diligence, during which the full and detailed commercial contracts will be drawn up, validated and signed.

7.3 Truncating the transition process

The transition plan outlined above will run until quarter four 2010/11. A key driver for this timescale is the estimated eleven-month period for running the procurement process.

HPS & HHT may need to move quicker than our proposals and we have therefore considered options for truncating the procurement process, thus allowing for a full implementation within seventeen months. Figure 64 sets out this plan, followed by a description of these truncation options in Table 8.

Figure 64: Truncated plan

Herefordshire Public Services Shared Services Programme		2009/2010		2010/2011				2011/2012						
		August	September	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Workstream	Key Tasks/Activities	Mobilisation		Elapsed Time (months)										
SS00:	Present Business Case to SS Steering group	◆	◆											
	Ratify and Approve Strategy and Business Case	◆	◆											
	Gain approval to proceed													
SS01:	Develop and Agree PID													
	Appoint Project Team													
SS02:	Develop and Agree Rationalisation Strategy and Plan *													
	Complete change impact assessment of proposed improvements and Shared Service centre migration													
	Realise Benefits (Procurement; BPO)													
SS03:	Undertake Soft Market Test													
	Expand HPS Membership													
	Complete OJEU Procurement of Strategic Partner													
	Finalise Commercial and Partner's Due Diligence													
SS04:	Appoint Commercial Manager													
	Realise Procurement Quick Wins **													
SS05:	Appoint Shared Services Transition Manager													
	Develop and Implement Standardised Processes													
SS06:	Consolidate Service Lines into a Single Integrated Service													
	Transition to Full Shared Service Delivery Model													
SS07:	Develop & Ratify Service Delivery Model													
	Transition to Agreed Delivery Model													
SS08:	Develop & Ratify Detailed Design for Shared Services													
	Transition in line with BPO													
	Transition to full Shared Services													

* The Rationalisation strategy sets out the process for realising and sharing benefits, and the agreed procedure covering rationalisation and redeployment.

** Procurement benefits are realisable in cash terms over 12 months, and should rise to approx. £800k+ per annum if the procurement strategy is delivered.

Table 8: Options for Truncation by Key Activity

Activity	Reductions to	Original	Truncated
Undertake soft market test and prepare ITQ	Market test and ITQ preparation periods	4 weeks	2 weeks
Run OJEU PQQ process	Evaluation period	11 weeks	9 weeks
Undertake first dialogue and review outline proposals	Dialogue and evaluation periods	8 weeks	4 weeks
Invite final tender from short-listed suppliers	Dialogue and bidders tender periods	11 weeks	5 weeks
Evaluate final tenders and select preferred bidder	Evaluation period	4 weeks	2 weeks
Post notification of preferred bidder(s)	No change as statutory	2 weeks	2 weeks
Finalise Commercials and Partner's Due Diligence	Due diligence	4 weeks	3 weeks
Total elapsed time		44 weeks	27 weeks
Total time saved if truncated plan adopted			17 weeks

Aggregate impact of truncation on timescales

If all the options and mitigations were achievable, the elapsed time for Strategic Partner procurement would be reduced from 11 months to 6 months.

7.4 Risks associated with truncation

The risks associated with truncating are summarised below:

Preparation and Submission of Bidder's documentation: will bidders have sufficient time to collate meaningful, accurate and complete submissions within the allotted timescales?

Providing Requirements: will HPS & HHT be able to articulate detailed requirements within allotted timescales to ensure all requirements are met?

Bidders governance: the truncated turnaround times may not afford sufficient time for certain bidders to have their submissions assessed and approved internally, therefore the truncated timescales would effectively exclude them from the process.

HPS & HHT internal governance: will the truncated timescales afford sufficient time for inter-partner discussions and agreement on selection, requirements, benefits realisation, etc.

ITO & BPO in parallel - there may not be sufficient internal resources available to make parallel running possible and may add further challenge to proposed ICT timescales.

7.5 General risks associated with transition

Table 9: General risks associated with transition

Project stage	Description/ Impact
Ratify & approve business case	Delay in business case approvals
	Delay in members approval
	Delay in project funding
	Continuity of project team lost due to delays
	Changes in senior team organisation impacts the project
Project & programme management	Delay in appointing Shared Services programme manager
	Delay in appointing & mobilising programme team
	Availability in allocating programme team resourcing
Change management & benefit realisation	Delay in agreement to services rationalisation approach
	Lack of buy-in from key stakeholders
	Programme gets called in for scrutiny, creating a time delay
	Benefits not realised in the planned timescale
	Benefits achieved lower than expectation
	Apportionment of benefits not agreed, delaying timescale
	One of partners does not come on board reducing benefits and increasing timescales
	One or more partners decides not to come on board for all processes in scope
	Insufficient benefits for one or more partners to justify their participation
	Business as usual service levels worsen during transition
Soft market testing	Delay in starting the process
	Lack of interest from potential partners
Procurement	Delay in developing tender specification for OJEU
	Poor quality of tender specification for OJEU
	Delay or inability to expand HPS & HHT membership
	Procurement timelines in benefits delivery cannot met
	Time lag in closing the deal delays benefits
Contract management	Delays in appointment of commercial manager reduces/delays benefits realisation
	Quick wins not realised in the planned timescale

Project stage	Description/ Impact
	Quick wins achieved lower than expectation
	Delays in establishing Centre of Excellence
Outsourcing of BPO	Delays in appointment of shared services manager reduces/delays benefits realisation
	Standardisation benefits not realised in the planned timescale
	Sharing of services benefits not realised in the planned timescale
	Standardisation benefits not realised in the planned timescale
	Shared service benefits achieved lower than expectation
	Delays in establishing Centre of Excellence
	Delays in selecting ERP provider
	Delays in design, development and implementation of ERP
	Increase in cost of ERP implementation above budget due to costs estimate
	Increase in cost of ERP implementation above budget due to scope creep
IT	Delays in integrating 3 organisations IT systems
	Delay in migration to in-house shared service
Other service lines	Delay in reviews delays benefits delivery

7.6 Benefits

The service delivery model and transition plan outlined above will deliver both qualitative and quantitative benefits in line with the objectives of quality, cost efficiency and sustainability identified at the outset of the Programme.

Quality

Enhanced quality of service from the corporate support functions will be enabled through the focus provided by the Centre of Excellence. Expertise will be built and shared, capitalising on elements of best practice from each of the partners. Standardisation and automation of transactional service lines will speed the response to routine queries, allowing faster decisions and actions.

Internal customers will benefit from the greater connectedness provided by integrated systems, with greater confidence in the information presented. New capabilities can be built, for example self-service elements allowing instant access to reports, increasing the availability of information through new channels. The widespread use of internal customer satisfaction surveys will be the true measure of performance achieved, and their use in a balanced scorecard will serve to focus the teams on the quality of service they provide.

Cost efficiency

Cost efficiency of the services in scope will be maximised through the programme of simplification and standardisation, resulting in an optimised transactional processing centre delivering increased speed and productivity at lower cost. The expertise built and shared in the strategic procurement and contract management function will deliver increasingly better value for money as they move from targeting quick savings wins to sourcing new contracts according to best practice, exploiting the full buying power of the combined HPS & HHT partners.

Estimates of the scale of resources released are summarised in Table 10. The cashable elements will be available for investment in front line services and use elsewhere in the three partners' budgets, while the non-cashable, fractional FTEs allow staff to focus on their core responsibilities and to contribute to higher value-add services.

Table 10: Summary of annual savings estimates following full transition

Savings estimates (range)	Low FTEs	Low £	High FTEs	High £
Procurement	n/a	£886,000	n/a	£886,000
Finance	35.5	£1,025,403	40.3	£1,206,231
HR	27.8	£771,875	30.7	£873,629
Payroll & Expenses	0.0	£0	2.2	£55,935
ICT	28.7	£995,941	37.1	£1,177,654
Estates	7.0	£292,393	17.4	£730,983
Transport	3.4	£131,852	8.4	£296,676
Communications	1.0	£47,310	2.5	£118,274
Emergency Planning	0.4	£17,650	1.1	£44,126
TOTALS	103.7	£4,168,424	139.7	£5,389,509

Sustainability

Maintaining quality throughout the transition will require close management of the business as usual, hence the dedicated team identified in the transition plan. Sustaining the gains made after the transition team have gone requires strong management of the service level agreements (SLAs) made as part of the shared service contracting.

Beyond simply sustaining an improved level of performance, the partners should seek to continually improve through instilling a culture of staff empowerment and customer focus. There is an opportunity for staff to broaden their range of knowledge and skills through learning new systems and the variations in process across the three partners, and to grow responsibility as they deliver services to multiple customers and manage larger, multidisciplinary teams. The central procurement and contract management team will be critical to maintain the 'intelligent customer' role essential to maximising the performance of all contracts throughout their lifecycle.

Annexes to this document

Annex 1: Management summary presentation to SSPB 6th
August 2009

Herefordshire Shared Services Programme

Business Case – Management Summary

6th August 2009

Version 1.3



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1. Introduction ... Forward

Foreword

Herefordshire Council (HC), Primary Care Trust (PCT) and Herefordshire Hospital NHS Trust (HHT) are embarking on a radical process of change by creating a strong Partnership, intended over time to lead to the creation of a joint approach to the delivery of Public Services.

Building on successful sharing already in place across the partners, there is a desire to further develop and confirm a shared services strategy and to adopt this as a strategic route to realise the vision for public services in Herefordshire.

As such, a shared services strategy development was commissioned for completion in Q3 2009.



Purpose and scope

Purpose	Scope
<ul style="list-style-type: none"> To outline the background and objectives to the shared services strategy To establish the scope of services under consideration and associated rationalisation To describe the approach, models and options evaluated To establish the preferred solutions and high level implementation plan. 	<ul style="list-style-type: none"> The scope agreed by senior stakeholders is: <ul style="list-style-type: none"> – ICT – Finance & Procurement – HR & Payroll – Estates – Printing & Distribution – Legal – Transport – Internal Audit – Communications – Emergency Planning There are notable exceptions such as Customer Services and Revs. & Bens. which are typically delivered as shared services.



Governance arrangements

Governance process	Governance structure									
<ul style="list-style-type: none"> A Shared Services Programme Board (SSPB), comprising senior representatives from the three organisations is the decision-making body for strategy development Recommendations are reported directly to the JMT of both HT/PCT; a senior member of HHT who sits on the SSPB communicates these recommendations to their board The programme / project governance structure is illustrated opposite. 	<table border="1" data-bbox="798 1400 1225 1568"> <tr> <td colspan="3" style="text-align: center;">A. Faulder SRO & SSPB Chair</td> </tr> <tr> <td>A. Heley, F. Steele K. Hunter PA Advisory</td> <td>M. Teale Project Director</td> <td>D. Powell, M. Pert & J. Howden Organisation Leads</td> </tr> <tr> <td>Mixed HPS / PA Project Team</td> <td>A. Holmes / A. Shale Project Management</td> <td>Organisation Domain Experts</td> </tr> </table> <ul style="list-style-type: none"> A full list of domain experts and other key stakeholders is provided in an Appendix to this business case A full list of project team members is provided in an Appendix to this business case. 	A. Faulder SRO & SSPB Chair			A. Heley, F. Steele K. Hunter PA Advisory	M. Teale Project Director	D. Powell, M. Pert & J. Howden Organisation Leads	Mixed HPS / PA Project Team	A. Holmes / A. Shale Project Management	Organisation Domain Experts
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Mixed HPS / PA Project Team	A. Holmes / A. Shale Project Management	Organisation Domain Experts								



Approach and timeline

<p>Approach</p> <ul style="list-style-type: none"> The approach taken has been highly interactive: <ul style="list-style-type: none"> Mobilisation: one-to-ones with senior stakeholders and function heads Functional baseline: working meetings with function heads and teams Service analysis matrix: working meetings with function heads and teams and cross-organisation workshops Models/options & business case: one-to-ones and cross organisational sounding / review meetings with senior stakeholders. 	<p>Timeline</p> <ul style="list-style-type: none"> The broad timing and high level activities associated with each stage of the project is shown below: <table border="1"> <thead> <tr> <th>Month 1</th> <th>Month 2</th> <th>Month 3</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> Agree Project Plan Agree Deliverables Agree PID Stakeholder Awareness </td> <td> <ul style="list-style-type: none"> Collect Data Collate Data Validate Data </td> <td> <ul style="list-style-type: none"> Agree Services Agree Service Lines Agree Service Line Data Business Area Assessments </td> </tr> <tr> <td></td> <td></td> <td> <ul style="list-style-type: none"> Design Principles Service Models Evaluation Criteria Short List Options </td> </tr> <tr> <td></td> <td></td> <td> <ul style="list-style-type: none"> Case for change Options Appraisal Recommendation Transition Plan </td> </tr> </tbody> </table>	Month 1	Month 2	Month 3	<ul style="list-style-type: none"> Agree Project Plan Agree Deliverables Agree PID Stakeholder Awareness 	<ul style="list-style-type: none"> Collect Data Collate Data Validate Data 	<ul style="list-style-type: none"> Agree Services Agree Service Lines Agree Service Line Data Business Area Assessments 			<ul style="list-style-type: none"> Design Principles Service Models Evaluation Criteria Short List Options 			<ul style="list-style-type: none"> Case for change Options Appraisal Recommendation Transition Plan
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		<ul style="list-style-type: none"> Case for change Options Appraisal Recommendation Transition Plan 											



Stakeholder engagement

<p>Engagement activities</p> <ul style="list-style-type: none"> Engagement with staff has been a key element of the working activities: <ul style="list-style-type: none"> To obtain and maintain support from key stakeholders To build buy-in to the solution from middle management To communicate: <ul style="list-style-type: none"> Strategy development progress to Members through update meetings Progress to staff and unions through regular briefings Those involved have helped to shape the outcome of the solution. 	<p>Stakeholder engagement</p> <pre> graph TD Cabinet --> JMT Cabinet --> ED[Executive Directors Team] Cabinet --> HHT[HHT Board] JMT --> PCT1[PCT: Murray Gwinnett, Chris Plant, Jane Hicks] JMT --> HHT1[HHT: Rachel Davies, Julia Over, Lynne Kedward] JMT --> HC[HC: Karen Morris, Heather Foster] PCT1 --> SSBP[Shared Services Programme Board: SRO & Chair: Annie Faulder] HHT1 --> SSBP HC --> SSBP SSBP --> PT[Project Team: Project Director: Mike Teale] PT --> Staff PT --> Unions HHT --> PCT2[PCT: Marcia Pert, Anne Coultts, Zack Pandor] HHT --> HHT2[HHT: John Howden, Zack Pandor] HHT --> HC2[HC: David Powell, Anne Coultts, Zack Pandor] PCT2 --> Connects[Connects: Akif Kazi] Connects --> RIEP[RIEP: Ged Bowles] </pre>
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2. Case for change ... Drivers

A reminder of the overarching Herefordshire vision ...

Herefordshire Community Strategy:

'Herefordshire will be a place where people, organisations and businesses work together within an outstanding natural environment to bring about sustainable prosperity and wellbeing for all.'

Herefordshire Public Services:

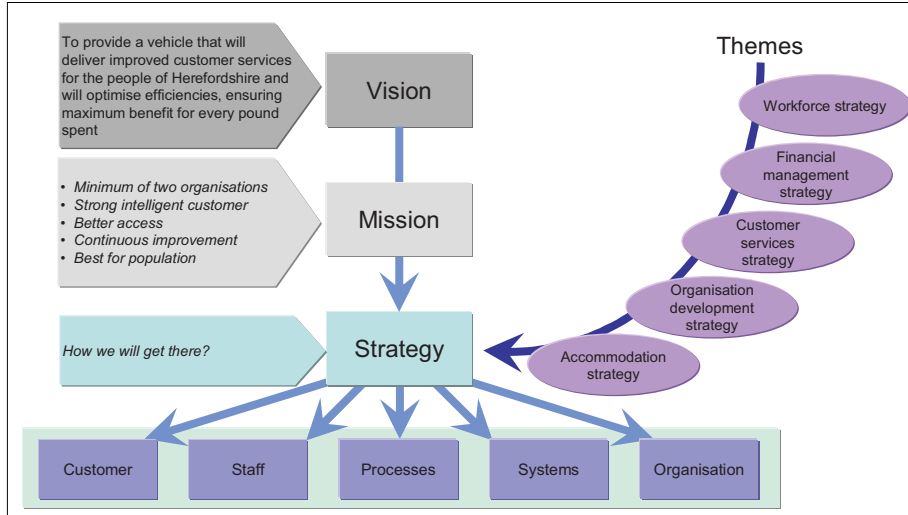
'Working together to deliver efficient excellent services and improved outcomes for the people of Herefordshire.'

The key elements are:

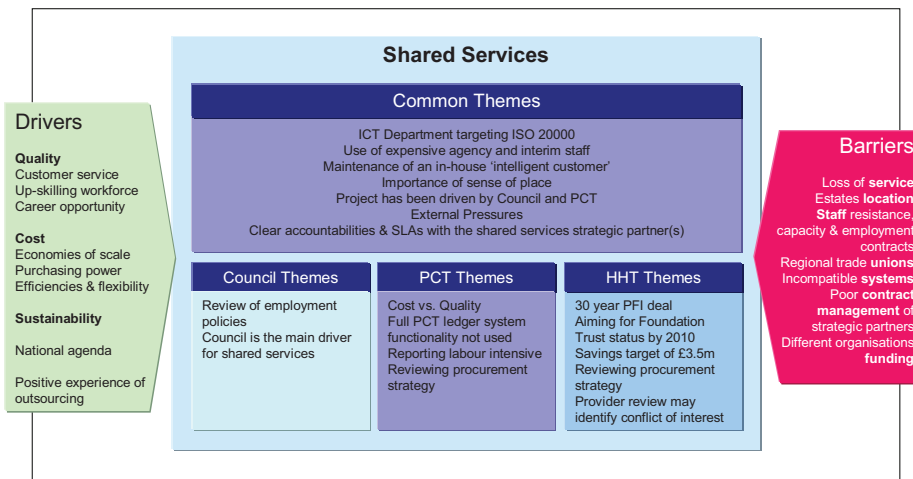
- Improved outcomes for local people
- Excellence in service delivery
- Focus on customers' and patients' experience
- Being efficient and delivering value for money



Shaping shared services within that overarching vision ...



Key drivers for sharing services ...



Scale of in-scope services

Share of FTE resource					
Organisation	Total		In scope		
	FTE	% Share	FTE	% Share	
HC	1,837	40.0%	354.3	7.7%	
PCT	1,209	26.3%	121.8	2.7%	
HHT	1,547	33.7%	50.2	1.1%	
Total	4,593	100.0%	526.4	11.5%	

In-scope corporate support services consume 11.5% of total FTE resource

Share of gross expenditure					
Organisation	Total		In scope		
	£M	% Share	£M	% Share	
HC	366.06	49.2%	12.08	1.6%	
PCT	274.52	36.9%	4.84	0.6%	
HHT	104.15	14.0%	2.02	0.3%	
Total	744.72	100.0%	18.95	2.5%	

In-scope corporate support services consume 2.5% of gross expenditure

Context

- Partners have 4,593 FTE resources and expend £745M
- We estimate that total corporate support services consume around £33M
- In-scope corporate support services consume £18.95M or 2.5% of gross expenditure
- In-scope corporate support services account for 526.4 FTEs which is 11.5% of the total
- HC has nearly double the FTEs and expenditure relating to in-scope services than that of the PCT and HHT combined.

FTE resource by in-scope service

FTE resource by in-scope service						
FTEs	HC	PCT	HHT	Total	% Share	
ICT	103.1	53.7	-	156.7	29.8%	
HR & Payroll	72.5	11.0	29.4	112.9	21.5%	
Finance & Procurement	52.4	39.8	15.4	107.7	20.5%	
Estates	55.3	10.5	3.9	69.7	13.2%	
Transport	26.8	6.8	0.1	33.7	6.4%	
Legal	21.6	-	-	21.6	4.1%	
Internal Audit	9.9	-	-	9.9	1.9%	
Comms/PR	8.6	-	1.2	9.8	1.9%	
Emergency Planning	4.1	-	0.2	4.3	0.8%	
Printing	-	0.1	0.1	0.1	0.0%	
In-scope total	354.3	121.8	50.2	526.4	100.0%	

HC accounts for 2/3 of in-scope FTEs

FTE Context

- ICT, Finance & Procurement, HR & Payroll and Estates account for 85% of in-scope services FTEs, almost 2/3 of which relates to HC
- Other services have lower numbers of FTEs due the nature of the services and because they are outsourced in one or more of the partner organisations.

Expenditure by in-scope service

£'M Context

- ICT, Finance & Procurement, HR & Payroll and Estates have annual expenditures in excess of £3M, account for 82% of in-scope services expenditure, 60% of which relates to HC
- Of the other services Legal, and Transport, and have annual expenditures in excess of £1M.

Total costs by in-scope service

Total costs (£M)	HC	PCT	HHT	Total	% Share
ICT	3.24	2.22	-	5.46	28.8%
HR & Payroll	2.05	0.55	0.83	3.43	18.1%
Finance & Procurement	1.61	1.35	0.74	3.70	19.5%
Estates	2.36	0.31	0.25	2.92	15.4%
Transport	0.92	0.18	0.02	1.12	5.9%
Legal	0.91	0.16	0.07	1.13	6.0%
Internal Audit	0.39	0.07	0.08	0.54	2.8%
Comms/PR	0.44	-	0.04	0.47	2.5%
Emergency Planning	0.17	-	0.01	0.18	0.9%
Printing	-	0.00	0.00	0.00	0.0%
In-scope total	12.08	4.84	2.02	18.95	100.0%

HC accounts for almost 40% of in-scope expenditure



ICT: resource consumption

FTE & £'M Context

- ICT is the largest in-scope service with 156 FTEs, accounting for 30% of in-scope FTEs
- Employee costs are £4.8M and directly attributable costs are £5.5m
- IT Operations is the largest service grouping at 55.39 FTEs and £2M costs
- PCT/HHT are currently integrated and plans to integrate with HC are underway

Key service groupings

	HC			
	FTE	%	Total costs	%
5 ICT	103.09	100.0%	£3,235,463	100.0%
5.1 Enterprise Architecture	6.00	5.8%	£201,813	6.2%
5.2 Portfolio management	0.00	0.0%	£0	0.0%
5.3 IT technology operations	33.50	32.5%	£1,041,459	32.2%
5.4 IT application management	22.50	21.8%	£714,771	22.1%
5.5 Applications development	6.50	6.3%	£202,074	6.2%
5.6 Knowledge management	22.26	21.6%	£692,026	21.4%
5.7 Client & support services	12.00	11.6%	£373,060	11.5%
5.8 Provide strategic input & advice	0.33	0.3%	£10,259	0.3%

	PCT/HHT			
	FTE	%	Total costs	%
5 ICT	53.65	100.0%	£2,219,673	100.0%
5.1 Enterprise Architecture	0.00	0.0%	£0	0.0%
5.2 Portfolio management	10.60	19.8%	£412,347	18.6%
5.3 IT technology operations	21.89	40.8%	£1,010,948	45.5%
5.4 IT application management	7.45	13.9%	£297,792	13.4%
5.5 Applications development	3.05	5.7%	£110,918	5.0%
5.6 Knowledge management	1.00	1.9%	£36,367	1.6%
5.7 Client & support services	9.00	16.8%	£327,300	14.7%
5.8 Provide strategic input & advice	0.66	1.2%	£24,002	1.1%

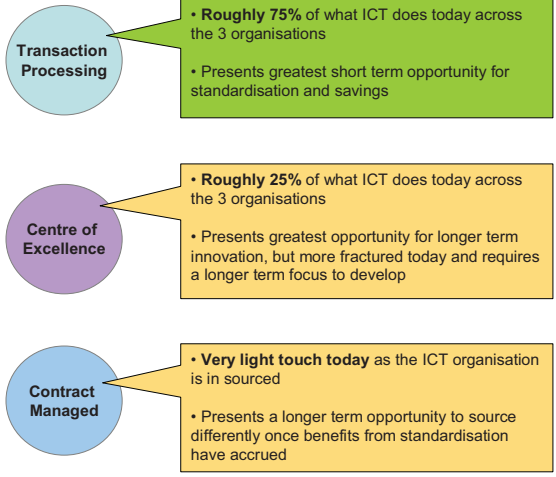
	Total			
	FTE	%	Total costs	%
5 ICT	156.74	100.0%	£5,455,136	100.0%
5.1 Enterprise Architecture	6.00	3.8%	£201,813	3.7%
5.2 Portfolio management	10.60	6.8%	£412,347	7.6%
5.3 IT technology operations	55.39	35.3%	£2,052,407	37.6%
5.4 IT application management	29.95	19.1%	£1,012,562	18.6%
5.5 Applications development	9.55	6.1%	£312,993	5.7%
5.6 Knowledge management	23.26	14.8%	£728,393	13.4%
5.7 Client & support services	21.00	13.4%	£700,360	12.8%
5.8 Provide strategic input & advice	0.99	0.6%	£34,261	0.6%



ICT: targeting the savings opportunity

Comment

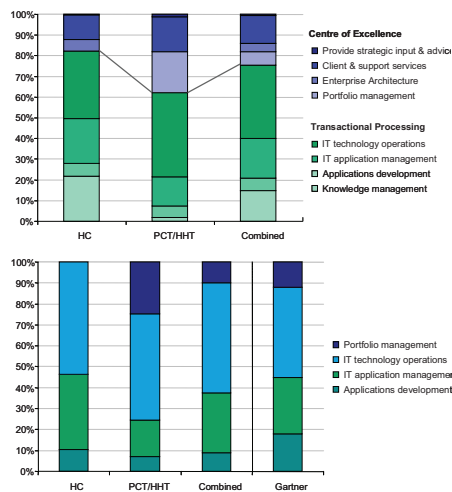
- Current cost performance is good relative to benchmarks, but service quality is weaker than desirable
- Improvements in ICT will come in terms of increased quality rather than net cashable savings, in the short to medium term
- Integration and standardisation will yield efficiencies at a transactional level, allowing the CoE to grow to provide a higher quality and more innovative service
- Once the integrated function has been optimised, other sourcing options may be considered to deliver cash savings of £1m to £1.2m

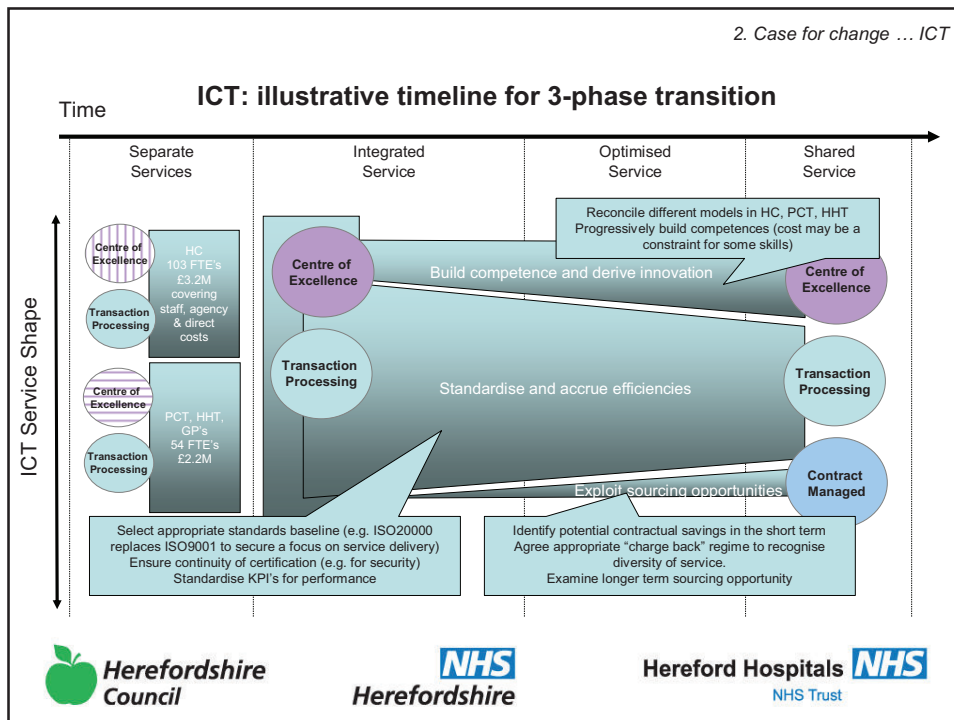


ICT: targeting the savings opportunity

Comment

- ICT centre of excellence currently has a different shape in HC and PCT/HHT
- ...but the shape of the transactional parts of the combined ICT organisation is broadly in line with industry comparators
- Future operating model contains gaps in key areas which will be difficult to fill internally and which may be in areas for which resources are high value and in short supply (eg enterprise architecture)
- Potential resolution: Build functions affected at a slower pace and play to existing strengths in first phases of transition.





Procurement: Resources consumption

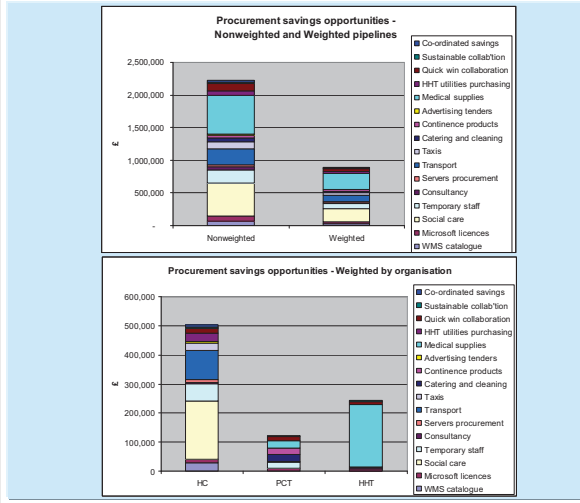
	HC	PCT	HHT	Total
Strategic Procurement/Supplies team FTEs	2	1.7	1.6	5.3
Non-pay Expenditure	£220m	£230m	£40m	£590m
3rd party payments, purchased healthcare etc	£140m	£220m		
'Influencable' Expenditure	£80m	£10m	£40m	£135m
Weighted savings opportunity	£500k	£130k	£260k	£890k

Observations

- Procurement as a function engages just 5.3 FTEs across the three partners and so only 1% of the in scope FTEs
- Senior strategic procurement capability in all three partners is under-resourced relative to best practice
- Partners rely to varying degrees on external purchasing consortia (eg WMS, HPS, PASA)
- HC are currently categorising spend with Spikes Cavell
- Our initial review has considered only 'influencable' spend, excluding payments to 3rd parties, purchased healthcare etc

Procurement: targeting the savings opportunity

- Recognition that identified procurement savings are in early development and require further due diligence
- Opportunity pipeline weighted by confidence gives a cashable, short-medium term savings target of £886k
- In the long term we would target a 5% reduction of all non-pay spend (including spend with other NHS as these contracts could also be better managed) totalling approx. £30m
- A key recommendation is to appoint a Commercial Manager to oversee quick benefits realisation and to design and develop the Contract Management CoE service



Procurement: next steps

Activity	Jul-09	Aug-09	Sep-09	October - December 09	January - June 10
Savings delivery and category management					
High level opportunity assessment (complete)	█				
Client side review and approval for verification phase		█			
Opportunity verification, due diligence and benchmarking		█			
Wave planning workshop			█		
Prepare savings forecast			█		
Management approval for implementation			█		
Implement Quick Wins - use existing resource			█		
Roll out savings forecasting process			█		
Mobilise implementation team			█		
Implement Wave 1 category management and savings delivery				█	
Implement Wave 2 category management and savings delivery				█	

- Merge procurement savings activity under one governing body (combining benefits work on Connects and Shared Services)
- Undertake a rapid implementation planning exercise to prioritise savings opportunities and delivery plans
- Create and resource a new role of 'lead commercial officer' with a remit to provide strategic leadership
- Mobilise with quick wins targeted to deliver by April 2010
- Long term, the transition to a co-ordinated procurement unit with increased resources will support the adoption of category management and the delivery of substantially greater benefits

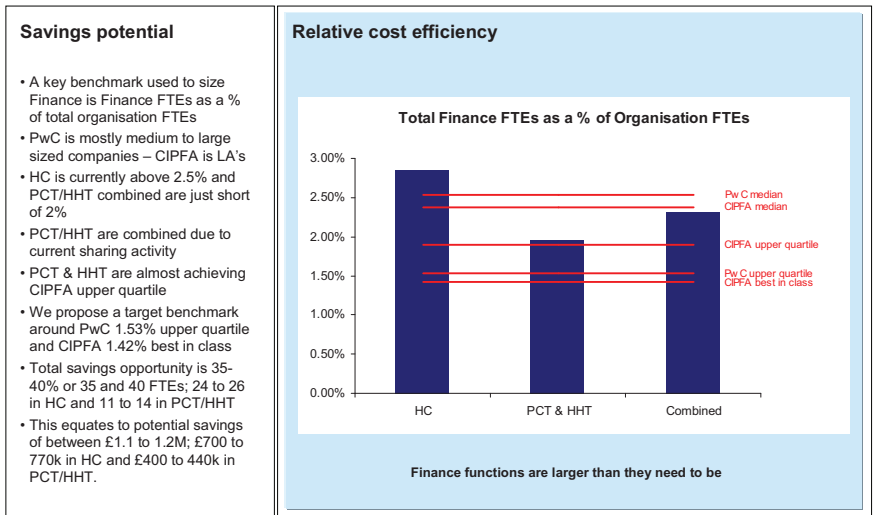


Finance: resource consumption

FTE & £'M Context		Key service groupings												
<ul style="list-style-type: none"> Finance is the second largest in-scope service with 102 FTEs, accounting for 19% of in-scope FTEs Employee costs are £3.1M and directly attributable costs are £3.5m Financial accounting is by far the largest service grouping at 78.33 FTEs and £3M costs Purchase to Pay and Order to Cash processing for HHT is outsourced to PCT. 		HC		PCT		HHT		Total						
		FTE	%	Total costs	%	FTE	%	Total costs	%	FTE	%	Total costs	%	
		2 Finance	50.40	100.0%	£1,536,212	100.0%	38.10	100.0%	£1,291,150	100.0%	13.83	100.0%	£704,930	100.0%
		2.1 Financial Accounting	40.10	79.6%	£1,294,941	84.3%	25.15	66.0%	£973,922	75.4%	13.08	94.6%	£689,222	97.8%
	2.2 Manage Revenue Cycle	4.20	8.3%	£124,000	8.1%	2.00	5.2%	£54,904	4.3%	0.00	0.0%	£0	0.0%	
	2.3 Accounts Payable	6.10	12.1%	£117,271	7.6%	10.95	28.7%	£262,324	20.3%	0.75	5.4%	£15,707	2.2%	
	2.1 Financial Accounting	78.33	76.5%	£2,958,085	83.7%	6.20	6.1%	£178,904	5.1%	17.80	17.4%	£395,302	11.2%	
	2.2 Manage Revenue Cycle	6.20	6.1%	£178,904	5.1%									
	2.3 Accounts Payable	17.80	17.4%	£395,302	11.2%									



Finance: relative cost efficiency

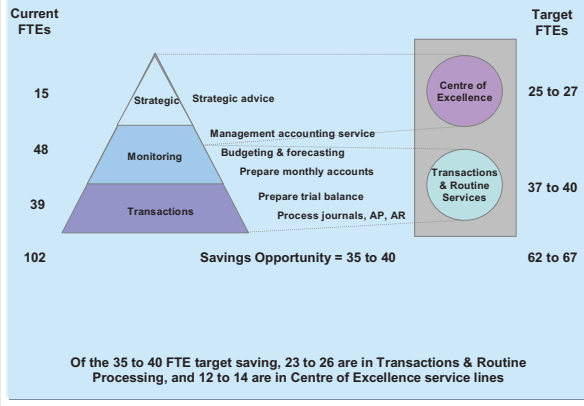


Finance: targeting the savings opportunity

Future service delivery

- Strategic advice to corporate centres and business units, and other management accounting services to be provided by the Centre of Excellence
- All other monitoring service lines to be incorporated with transaction processing in Transactions & Routine Services
- Centre of Excellence should remain in-house whereas Transactions & Routine Services could be provided by a strategic partner.

Targeting the savings opportunity

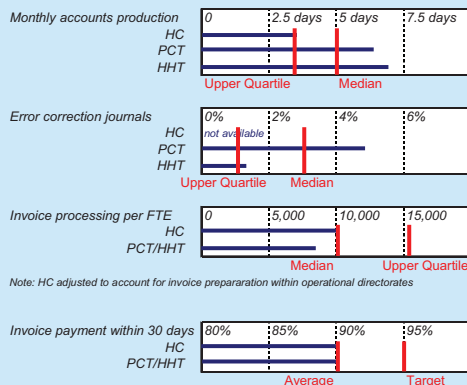


Finance: relative performance

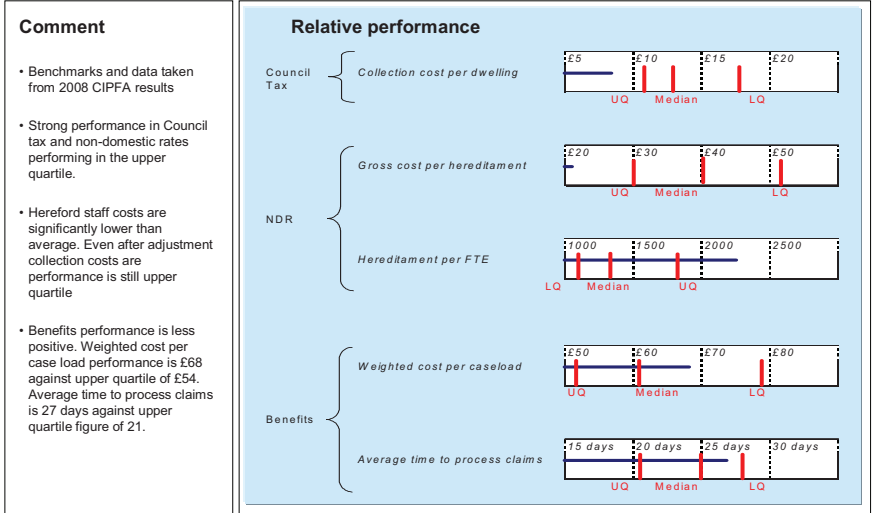
Comment

- Time to complete the monthly consolidated financial statements is slow; indicating poor data integrity and/or sub-optimal process
- Number of error-correction journal entries as a percentage of total is good at HHT but high at PCT; indicating low info quality and level of system integration
- Invoices processed per FTE is around the median at both PCT/HHT & HC due to high levels of non-value add activities and low automation, and significant devolved transactional invoice preparation at HC
- Prompt invoice payment is in line with other public bodies but behind government target

Relative performance



Revenues and Benefits: relative performance



HR: resource consumption

FTE Context

- HR is the third largest in-scope service with 92 FTEs, accounting for 17% of in-scope FTEs
- Employee costs are £2.3M and directly attributable costs are £2.8m
- HR Advisory and HR Transaction processing consume roughly the same FTEs
- HR Advisory costs are 1.4 times that of HR Transaction processing due to higher average pay
- Learning and Development is considered separately. 13.66 of the 61.33 HC FTEs have been removed from the following analysis

Key service groupings

	FTE		HC	
	FTE	%	Total costs	%
3 HR	61.33	100%	£1,803,541	100%
3.1 Provide Strategic Input	2.00	3%	£256,187	14%
3.2 Provide HR Advisory Services	31.51	51%	£931,634	52%
3.3 Provide HR Transaction Processing Services	27.82	45%	£615,720	34%

	FTE		PCT	
	FTE	%	Total costs	%
3 HR	11.01	100%	£546,523	100%
3.1 Provide Strategic Input	0.00	0%	£108,385	20%
3.2 Provide HR Advisory Services	8.01	73%	£330,245	60%
3.3 Provide HR Transaction Processing Services	3.00	27%	£107,893	20%

	FTE		HHT	
	FTE	%	Total costs	%
3 HR	19.56	100%	£520,587	100%
3.1 Provide Strategic Input	1.00	5%	£41,292	8%
3.2 Provide HR Advisory Services	7.69	39%	£238,511	46%
3.3 Provide HR Transaction Processing Services	10.87	56%	£240,785	46%

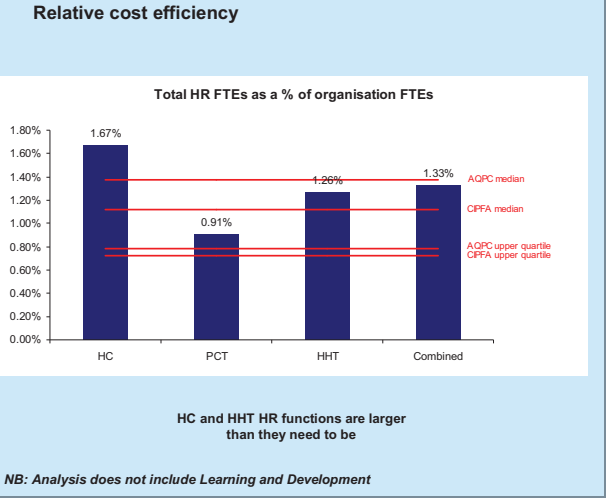
	FTE		Total	
	FTE	%	Total costs	%
3 HR	91.90	100%	£2,870,651	100%
3.1 Provide Strategic Input	3.00	3%	£405,863	14%
3.2 Provide HR Advisory Services	47.21	51%	£1,500,390	52%
3.3 Provide HR Transaction Processing Services	41.69	45%	£964,398	34%



HR: relative cost efficiency

Savings potential

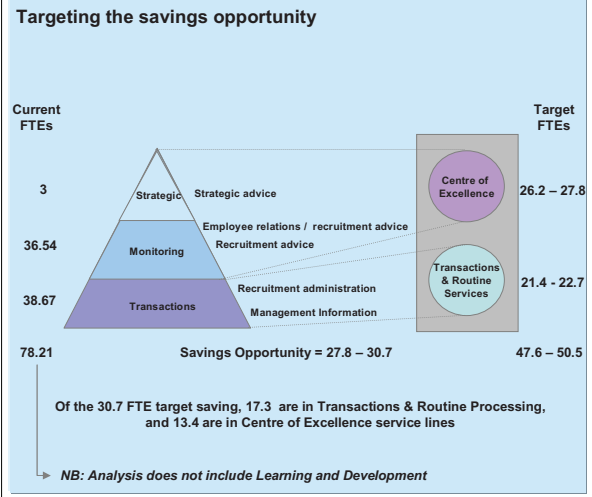
- The target shared service benchmark is ~0.88% HR FTEs of total organisation FTEs
- AQPC upper quartile is 0.78% and CIPFA best in class is 0.72% - AQPC is cross industry sample - CIPFA is LA's
- HC and HHT are above the AQPC median at 1.67% and 1.26% respectively. The PCT falls just short of the AQPC upper quartile target
- Total savings opportunity is 36-39% or 28 and 31 FTEs; 18 - 20 from HC, 2 - 2.5 in PCT, 7 - 8 in HHT.
- This equates to savings of £772k - £874k; £420k - £480k in HC, £109k - £143k in PCT; £185k - £212k in HHT



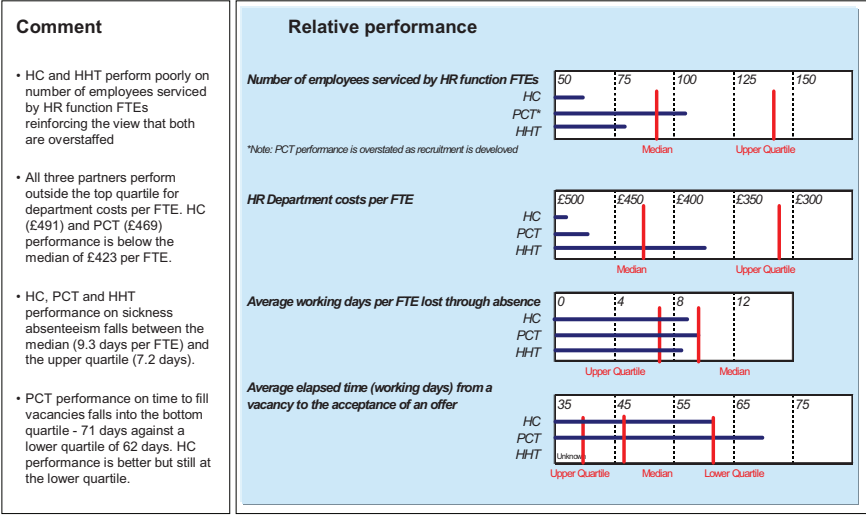
HR: targeting the savings opportunity

Future service delivery

- Strategic advice to corporate centres and business units to be provided by the Centre of Excellence
- All monitoring service lines to be incorporated with transaction processing in Transactions & Routine Services
- Centre of Excellence should remain in-house whereas Transactions & Routine Services could be provided by a strategic partner.



HR: relative performance



Learning and Development: resource consumption

Key service groupings				
	HC	PCT	HHT	Total
HR FTEs (excluding T&D)	47.67	11.01	19.56	78.24
Training and Development FTEs	13.66	5.00	17.36	36.02
T&D FTEs as % of organisational FTEs	0.74%	0.41%	1.12%	0.78%
T&D FTEs as % of HR FTEs	22%	31%	47%	32%

Observations

- Learning and Development is currently out of scope but worthy of further investigation owing to its size relative to HR
- PCT L&D has been adjusted from 42 FTEs to 5FTEs – to account for FTEs providing external training
- There are 36 FTEs providing internal training, less than 1% of total organisation FTEs
- 48% of L&D FTEs sit within HHT. HHT are heavily staffed to provide specialist medical training to the hospital

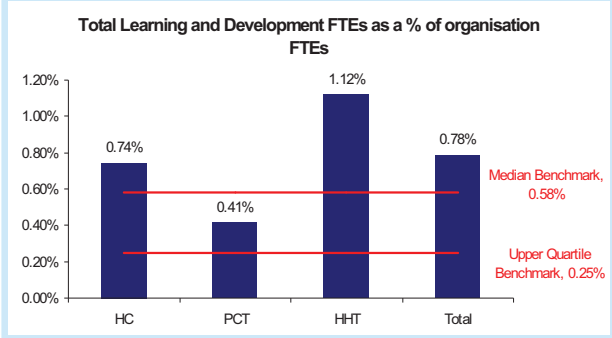


Learning and Development: relative cost efficiency

Observations

- The target benchmark is 0.25% L&D FTEs of total organisation FTEs. All three partners are outside the top quartile.
- Resources required to deliver medical workforce training prevents HHT from achieving upper quartile performance
- If HC and PCT achieved upper quartile performance, savings of up to 9 FTEs at HC and 2 FTEs at PCT could be realised

Relative cost efficiency



Learning and Development functions are larger they need to be. However, HHT is constrained by medical training requirements



Payroll & Expenses: Resources consumption

- Payroll & Expenses account for 21 FTEs, or 4% of all the in-scope services
- Employee costs are £0.5m, directly attributable costs are £0.6m
- HHT provides the payroll service for the PCT
- Majority of the work is transactional in nature; processing data updates, expenses claims and running the payroll

Key service groupings

			HC	
	FTE	%	Total costs	%
4 Payroll & Expenses	11.20	100.0%	£249,372	100.0%
4.1 Manage payroll system	0.70	6.3%	£15,586	6.3%
4.2 Process payroll updates	2.10	18.8%	£46,757	18.8%
4.3 Process starters/movers/leavers changes	5.50	49.1%	£122,459	49.1%
4.4 Run payroll	1.50	13.4%	£33,398	13.4%
4.5 Provide Pension support service	0.00	0.0%	£0	0.0%
4.6 Process Expenses	1.40	12.5%	£31,172	12.5%

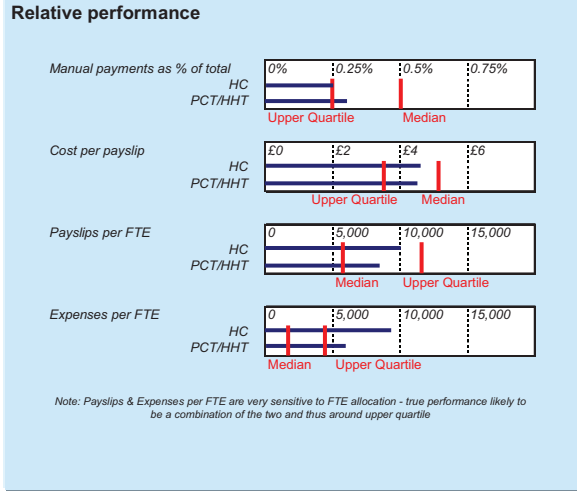
			HHT	
	FTE	%	Total costs	%
4 Payroll & Expenses	9.81	100.0%	£306,203	100.0%
4.1 Manage payroll system	0.63	6.4%	£19,664	6.4%
4.2 Process payroll updates	1.80	18.3%	£56,184	18.3%
4.3 Process starters/movers/leavers changes	1.78	18.1%	£55,560	18.1%
4.4 Run payroll	2.80	28.5%	£87,397	28.5%
4.5 Provide Pension support service	1.00	10.2%	£31,213	10.2%
4.6 Process Expenses	1.80	18.3%	£56,184	18.3%

			Total	
	FTE	%	Total costs	%
4 Payroll & Expenses	21.01	100.0%	£555,575	100.0%
4.1 Manage payroll system	1.33	6.3%	£35,250	6.3%
4.2 Process payroll updates	3.90	18.6%	£102,941	18.5%
4.3 Process starters/movers/leavers changes	7.28	34.7%	£178,019	32.0%
4.4 Run payroll	4.30	20.5%	£120,795	21.7%
4.5 Provide Pension support service	1.00	4.8%	£31,213	5.6%
4.6 Process Expenses	3.20	15.2%	£87,356	15.7%



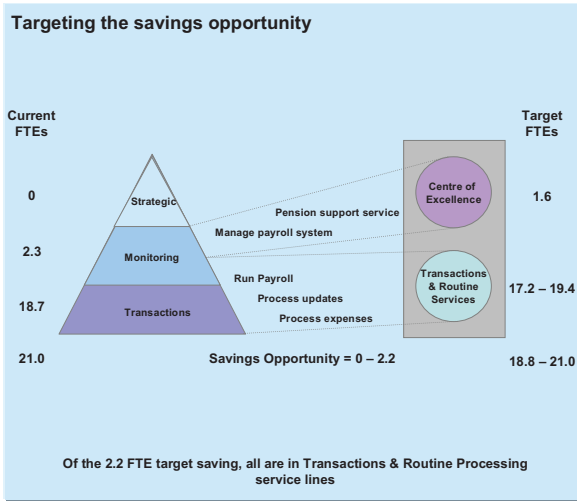
Payroll & Expenses: Relative performance

- Metrics paint a picture of fairly high quality and productivity at a median to high price point
- The number of manual payments as a % of total by both teams is good, indicating low levels of error correction or special payments
- CIPFA benchmarks place the HC cost per payslip as lower-quartile and PwC benchmarks (shown) place both functions around the median
- Productivity measures 'Payslips per FTE' and 'Expenses per FTE' place both teams around the upper quartile when considered together



Payroll & Expenses: Targeting the savings opportunity

- Specialist functions at HHT remain in CoE
- All transactional elements plus supervisors would transfer to Routine Processing centre
- Productivity measures suggest a modest 10% saving is possible
- This saving would arise primarily from economies of scale (pooling transactional and supervisory resources)
- Self-service technology could reduce the expenses processing workload
- Centralised expenses processing affords the opportunity to standardise regulations where appropriate across the three partners

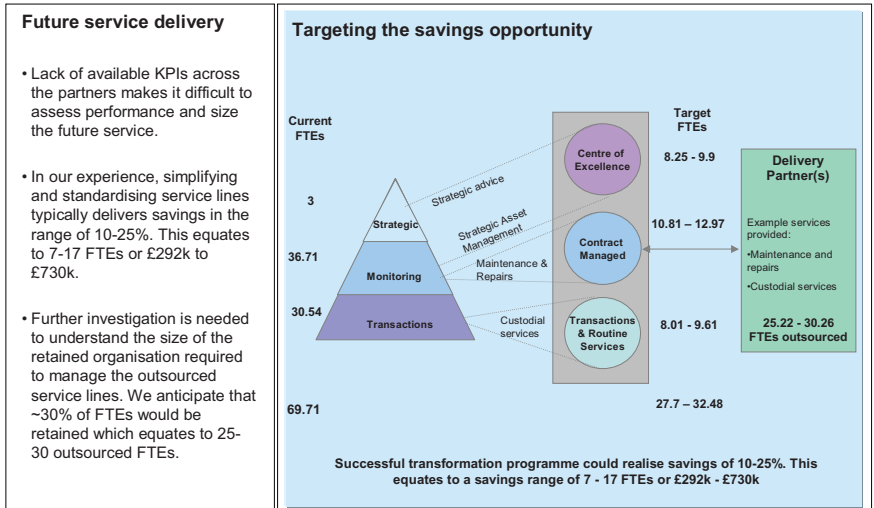


Estates: resource consumption

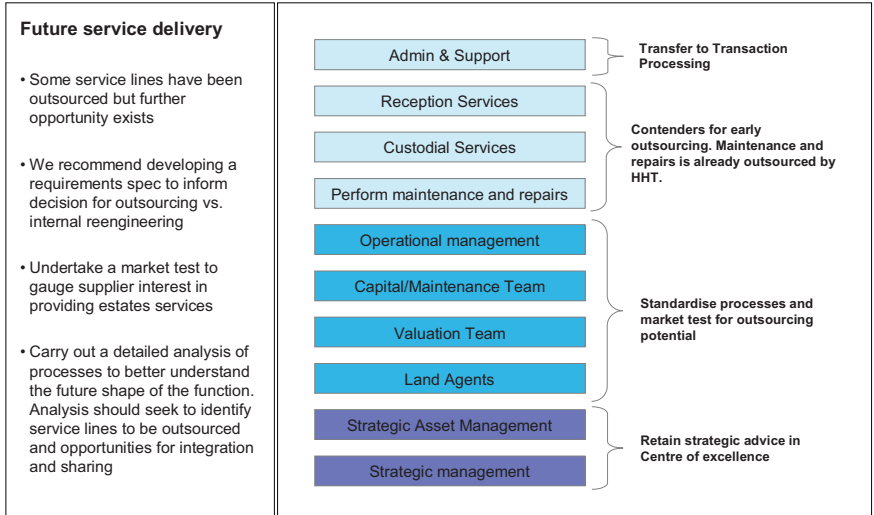
FTE Context		Key service groupings									
<ul style="list-style-type: none"> Estates is the fourth largest in-scope service with 70 FTEs, accounting for 13% of in-scope FTEs Employee costs are £2.1M and directly attributable costs are £2.9M. Perform Maintenance and Repairs is the largest service line overall at 10.25 FTEs and £296K costs HHT have outsourced Estates through PFI 		HC				HHT					
		FTE	%	Total costs	%	FTE	%	Total costs	%		
		6 Estates	55.31	100%	£2,361,018	100%	3.90	100%	£248,259	100%	
6.1 Perform maintenance and repairs	3.75	7%	£100,896	4%	0.00	0%	£0	0%			
6.2 Strategic management	1.00	2%	£91,513	4%	1.00	26%	£95,406	38%			
6.3 Operational management	4.00	7%	£171,317	7%	2.90	74%	£152,853	62%			
6.4 Strategic Asset Management	8.00	14%	£374,181	16%	0.00	0%	£0	0%			
6.5 Capital/Maintenance Team	9.76	18%	£888,045	23%	0.00	0%	£0	0%			
6.6 Valuation Team	7.51	14%	£284,504	12%	0.00	0%	£0	0%			
6.7 Land Agents	3.00	5%	£104,829	4%	0.00	0%	£0	0%			
6.8 Reception Services	4.11	7%	£110,582	5%	0.00	0%	£0	0%			
6.9 Custodial Services	5.50	10%	£170,063	7%	0.00	0%	£0	0%			
6.10 Admin & Support	8.68	16%	£265,087	11%	0.00	0%	£0	0%			
		PCT				Total					
FTE	%	Total costs	%	FTE	%	Total costs	%				
6 Estates	10.50	100%	£314,655	100%	69.71	100%	£2,923,932	100%			
6.1 Perform maintenance and repairs	6.50	62%	£194,786	62%	10.25	15%	£296,682	10%			
6.2 Strategic management	1.00	10%	£29,967	10%	3.00	4%	£216,886	7%			
6.3 Operational management	1.00	10%	£29,967	10%	7.90	11%	£354,138	12%			
6.4 Strategic Asset Management	0.00	0%	£0	0%	8.00	11%	£374,181	13%			
6.5 Capital/Maintenance Team	0.00	0%	£0	0%	9.76	14%	£888,045	24%			
6.6 Valuation Team	0.00	0%	£0	0%	7.51	11%	£284,504	10%			
6.7 Land Agents	0.00	0%	£0	0%	3.00	4%	£104,829	4%			
6.8 Reception Services	0.00	0%	£0	0%	4.11	6%	£110,582	4%			
6.9 Custodial Services	0.00	0%	£0	0%	5.50	8%	£170,063	6%			
6.10 Admin & Support	2.00	19%	£59,934	19%	10.68	15%	£325,021	11%			



Estates: targeting the savings opportunity



Estates – targeting the savings opportunity



Transport: resource consumption

FTE Context

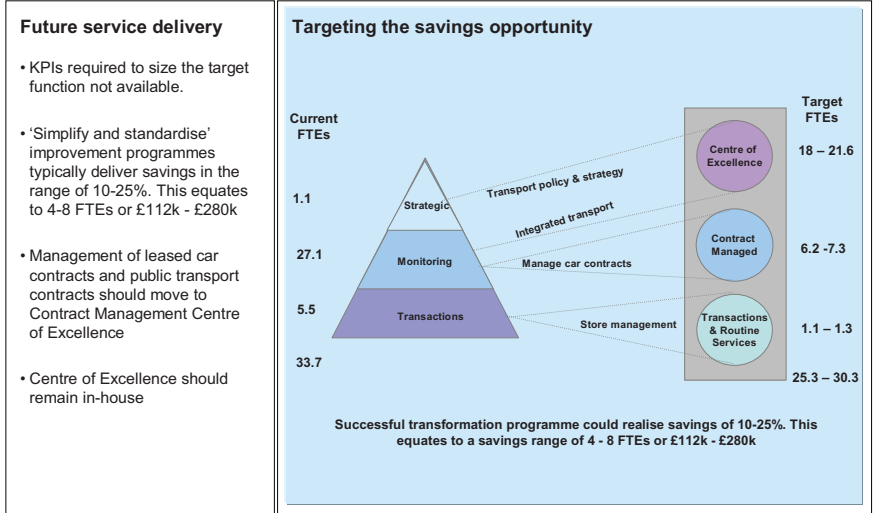
- Transport is the fifth largest in-scope service with 34 FTEs, accounting for 6% of in-scope FTEs
- Employee costs are £1M and directly attributable costs are £1.1M
- HC have the largest transport function, accounting for 80% of FTEs and 82% of attributable costs
- HHT have outsourced Transport through PFI and retain only a contract management function

	HC				HHT			
	FTE	%	Total costs	%	FTE	%	Total costs	%
7 Transport	26.80	100%	£920,997	100%	0.10	100%	£21,969	100%
7.1 Public transport contracts & community transport support	4.50	17%	£154,645	17%	0.00	0%	£0	0%
7.2 Highways development control	4.00	15%	£137,462	15%	0.00	0%	£0	0%
7.3 Transport policy & strategy	3.50	13%	£120,279	13%	0.00	0%	£0	0%
7.4 Road safety	6.00	22%	£206,193	22%	0.00	0%	£0	0%
7.5 Integrated transport	6.50	24%	£223,376	24%	0.00	0%	£0	0%
7.6 Admin	1.50	6%	£51,548	6%	0.00	0%	£0	0%
7.7 Manage contract cars	0.80	3%	£27,492	3%	0.00	0%	£0	0%
7.8 Stores management	0.00	0%	£0	0%	0.00	0%	£0	0%
7.9 Delivering supplies	0.00	0%	£0	0%	0.00	0%	£0	0%
7.1 Transport management	0.00	0%	£0	0%	0.10	100%	£21,969	100%

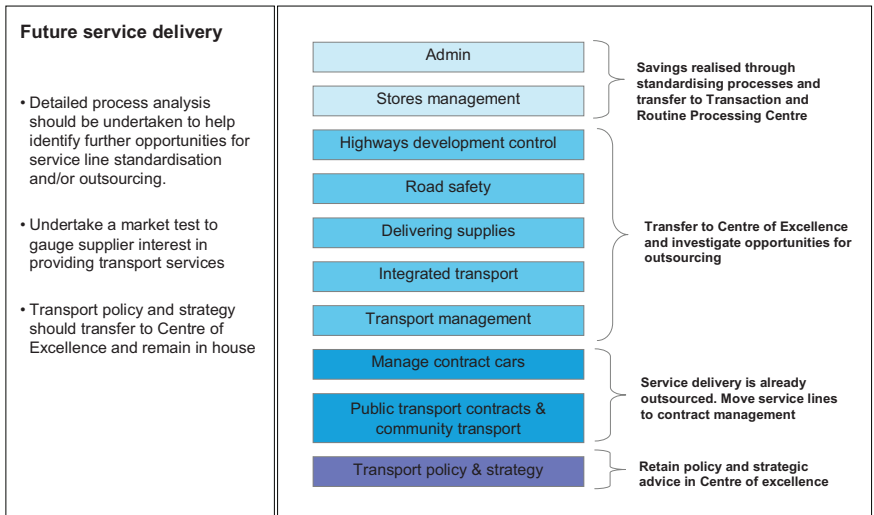
	PCT				Total			
	FTE	%	Total costs	%	FTE	%	Total costs	%
7 Transport	6.80	100%	£177,834	100%	33.70	100%	£1,120,799	100%
7.1 Public transport contracts & community transport support	0.00	0%	£0	0%	4.50	13%	£154,645	14%
7.2 Highways development control	0.00	0%	£0	0%	4.00	12%	£137,462	12%
7.3 Transport policy & strategy	0.00	0%	£0	0%	3.50	10%	£120,279	11%
7.4 Road safety	0.00	0%	£0	0%	6.00	18%	£206,193	18%
7.5 Integrated transport	0.00	0%	£0	0%	6.50	19%	£223,376	20%
7.6 Admin	0.00	0%	£0	0%	1.50	4%	£51,548	5%
7.7 Manage contract cars	1.80	26%	£47,074	26%	2.60	8%	£74,566	7%
7.8 Stores management	0.00	0%	£0	0%	0.00	0%	£0	0%
7.9 Delivering supplies	4.00	59%	£104,608	59%	4.00	12%	£104,608	9%
7.1 Transport management	1.00	15%	£26,152	15%	1.10	3%	£48,121	4%



Transport: targeting the savings opportunity



Transport – targeting the savings opportunity



Printing and Distribution: resource consumption

Comment	Targeting the savings opportunity			
	HC	PCT	HHT	Total
<ul style="list-style-type: none"> • Printing and distribution is the smallest in scope service with 0.1 FTEs • Total spend on printing services is £1.2M – 54% of print spend is from HC • Printing is outsourced by all partners. 0.1 FTEs are focused on contract management activities • HC has a joint venture with Amey until 2013. PCT and HHT use a number of local suppliers but do not have fixed contracts - PASA not used due to long lead times of PASA suppliers. 				
	£651,000	£381,000	£177,000	£1,209,000
	1,183	98	96	1,377
	Joint venture with Amey until 2013	•No fixed contracts •9 local suppliers used during 08/09	•No fixed contracts •3 local suppliers used regularly	-



Printing and Distribution – targeting the savings opportunity

- Printing and Distribution savings will be realised through improved procurement rather than headcount reduction
- Requisitioning of print services should be managed by a contract management centre of excellence. This will lead to number of benefits:
 - Best value for each print job - directing purchase orders to the most cost effective supplier
 - Reduce maverick spend by providing greater control over requisitioning and suppliers used by the partners
 - Economies of scale by combining spending power of partners
- Sharing contract management for print services is anticipated to realise savings of ~15%. Assuming this 15% can be achieved across all three partners (including HC contract with Amey), this equates to savings of ~£180; £98k from HC, £58k from PCT and £26 from HHT.



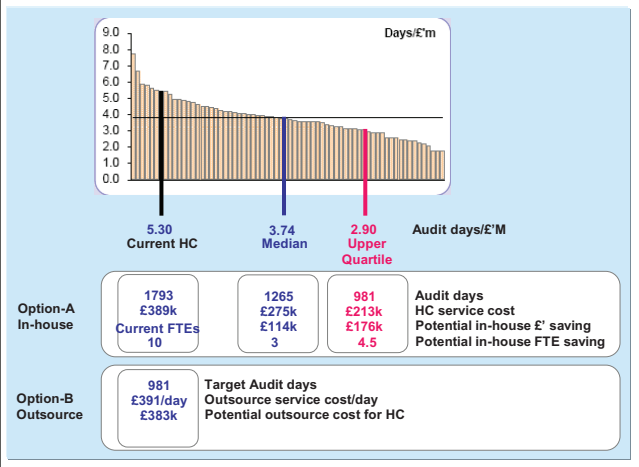
Smaller services may not significant savings but will benefit from directing resources to priorities and other qualitative initiatives

- Service improvements will generally be achieved through:
- Bringing skills together from across the three organisations within a Centre of Excellence
 - Service integration
 - Sharing of best practice
 - Improved contract management
 - Flexibility and space utilisation increased
 - Up-skilling staff
 - Improved quality of service
 - Co-location
 - Process standardisation
 - Systems sharing where practicable
 - Some economies of scale



Audit: targeting the savings opportunity

- Future service delivery**
- Existing collaboration between PCT and HC covering ICT Audit and Fraud Processes
 - Audit services could be shared CoE either in-house or outsourced
 - Key decision point relates to HC's current in-house service which is low quartile CIPFA (see chart)
 - Improving in-house cost efficiency and developing in-house skills needs to be considered
 - If all three parties were to outsource there would be opportunities for improving quality and gaining economies of scale in procuring external services.



Legal: targeting the savings opportunity

Future service delivery

- Concerns within HC that dept not fit for purpose
- Carry out ground-up review of needs, ability and gaps for HC, PCT, HHT
- Retain Governance in house as a Centre of Excellence for HC, PCT, HHT
- Options to review for transactional activities:
 - Outsource to existing not for profit organisation (or other LA)
 - HC, PCT, HHT set up combined special purpose vehicle (also not for profit)

	PCT	HHT	HC	TOTALS
FTEs			21.57	21.57
Pay Costs			£743k	£743k
Direct Costs	£157k	£68k	£182k	£407k
Spend & Key Categories				
Location			Town Hall Brockington Blackfriar's (Corp.Risk)	

Note: Figures (2008-9) are not verified



Comms & PR: targeting the savings opportunity

Future service delivery

- Currently HC and PCT integrated team. HHT recently appointed to post
- Develop an integrated approach across HC, PCT & HHT
- Further benefit by widening scope to include similar work done in isolation in service areas in PCT and HC directorates
- Potential to centralise spend on design / branding in each organisation

	PCT	HHT	HC	TOTALS
FTEs	Integrated Team (HC & PCT), 1 FTE funded by PCT	1.15	8.62 (incl 1 FTE funded by PCT)	10.62
Pay Costs	(see HC)	£ 37k	£ 266k	£ 371k
Direct Costs			£ 170k (see below)	£ 170k
Spend & Key Categories			£266K - Staff costs £150K - Publications Budget £20K - Total Service running costs	
	Brockington	HHT HQ	Brockington	



Emergency Planning: targeting the savings opportunity

Future service delivery

- Emergency Planning Unit (EPU) currently shared between HC and PCT
- Recently transferred to the Environment and Culture Directorate and is subject to a major review
- Opportunity to extend the scope of EPU to include HHT should be tested in the review
- Communications an issue as Emergency Response management currently has 2 separate governance routes
- Potentially some economies of scale

	PCT	HHT	HC	TOTALS
FTEs	1 (Note: part of the HC integrated EP team, but funded by PCT)	0.2 (Band 7 Nurse)	3.11	4.31
Pay Costs	£ 20k (PCT resource employed part way through year, annual cost estimated at £42K p.a.)	£ 7k	£ 115k (HC employing Additional resources for 09/10)	£ 142k
Direct Costs			£ 34k (see below)	£ 34k
Spend & Key Categories	£19,923 (Charge from HC for PCT Emergency Planning Officer, resource employed part way through year, annual cost estimated at £42K p.a.)	£7,025 (Calculated)	Staff Costs - £115,220 Agency Staff - £28 Direct Costs - £34,307 Income -£5,601 Overheads - £119,854 Total £263,808	£ 291k
	Brockington	Trust HQ	Brockington	

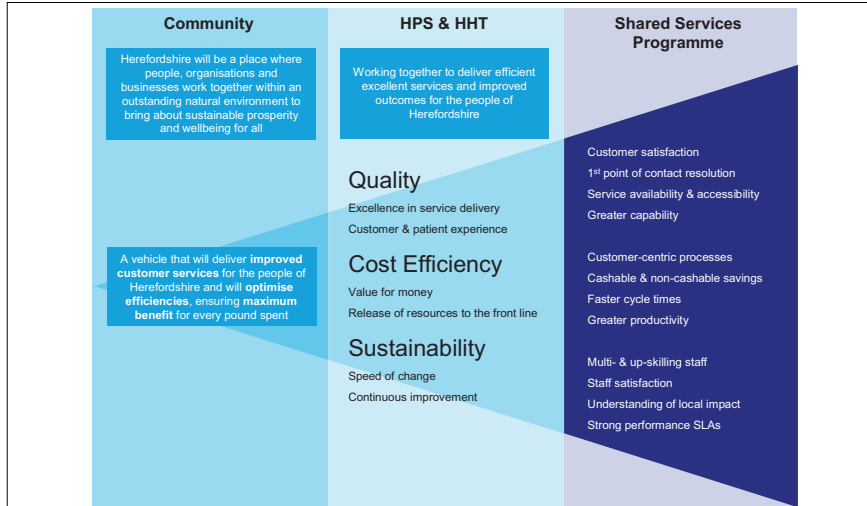


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Aligning the programme to the broader vision for Herefordshire...



Measuring success for each objective ...

Comment

- The high-level objectives are directly related to the types of performance measure used later in this business case and in the ongoing management of such a service
- Here we take Finance as an example of how the objectives drive the metrics in an outline 'balanced scorecard' that ensures the function is aligned with the aims of the programme as a whole.

Type	Measure	Purpose
Quality	Internal service satisfaction survey	Tracks performance as perceived by the customer
	Error-correction journal entries as a percentage of total entries	Monitors confidence in data integrity and effort expended re-working data entry
	% of invoices paid within 30 days	Meeting commitments to (local) suppliers
Cost efficiency	Total finance FTEs as a percentage of total organisation FTEs	Tracks overall resource consumption relative to peers
	Financial Accounting FTEs per Em Gross Revenue Turnover	Tracks overall resource consumption relative to peers
	Invoices processed per Accounts Payable FTE	Productivity in repetitive transactional tasks
	Average cycle time in working days to complete the monthly consolidated financial statements	Speed of performing a standard process
	Staff costs per 'perform general accounting' FTE	Tracks spend on staff relative to peers
Sustainability	Adherence to Service Level Agreements (SLAs)	Tracks performance relative to agreed targets
	Staff satisfaction survey	Measures degree of engagement with and commitment to the organisation's goals
	Staff turnover	Indicative of staff satisfaction
	Number of improvement initiatives started	Monitors continuous improvement activity



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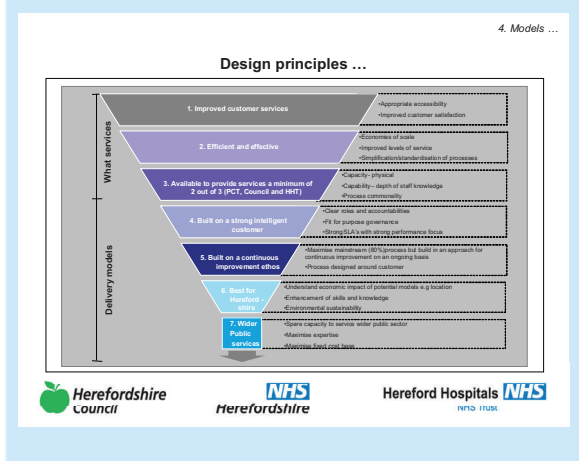


4. Models ...

Design principles

- We developed the design principles with you through workshops with key stakeholders
- They inform the evaluation criteria for:
 - Selecting services appropriate for sharing
 - Determining the appropriate:
 - Delivery model
 - Entity model

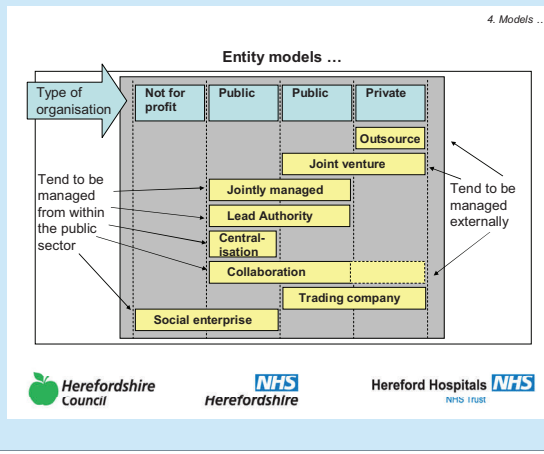
Design principles have provided a steer for models & options



Entity models ...

- There is broad agreement that most of the Entity Models considered are not appropriate for reasons articulated in the Models/Options paper
- The same paper discussed the advantages for and against JV and traditional outsourcing
- The over-riding recommendation was for traditional outsourcing
- But this should be further tested through a soft market test

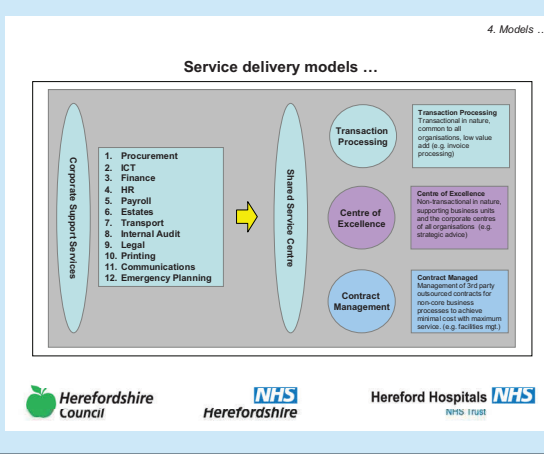
The various Entity Models considered ...



Service delivery models ...

- There is also broad agreement to the three part service delivery model:
 - Transaction processing and routine services that could be outsourced to a BPO and ITO services provider
 - Centre of excellence which would combine a range of in-house strategically important advisory roles from Finance, HR, ICT, Procurement, and other services
 - Contract management which is under-resourced and under-skilled in all three partners

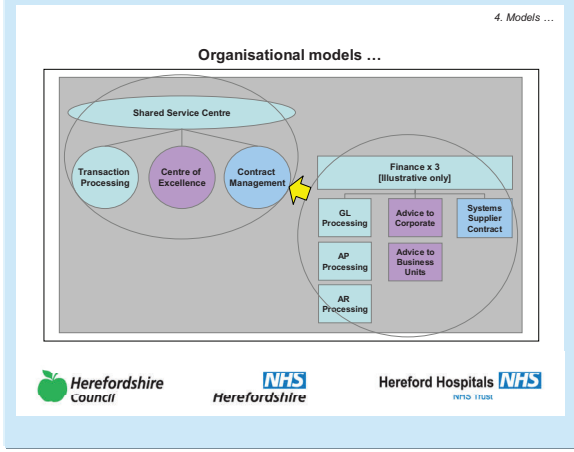
Migrating support services to the new service delivery model



Organisational models ...

• Within the main body of the business case document we provide a mapping of existing service lines to the proposed service delivery model

Clarity of service delivery in the target model

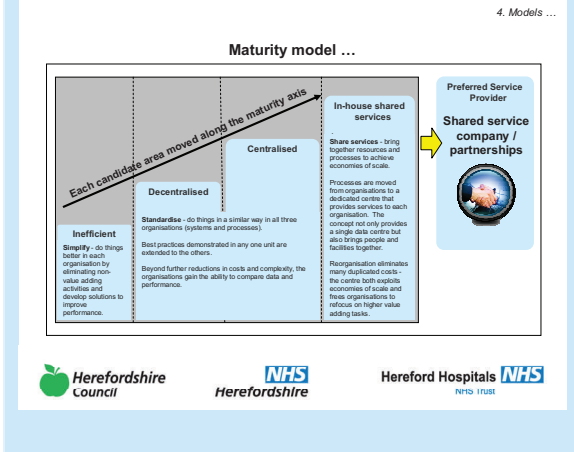


Maturity models ...

• In many ways this is the most significant model as each service needs to be considered in terms of its ultimate efficiency potential

- Step one – to simplify existing processes and eradicate non-value add processes
- Step two – to standardise to best practice across each of the participating organisations
- Step three – to share services by process, location, staff and IT
- Step four – to outsource.

There are options around speed, benefits, risk, & sustainability



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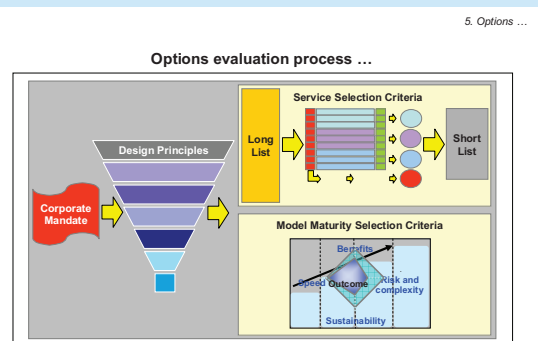


5. Options ...

Options evaluation process ...

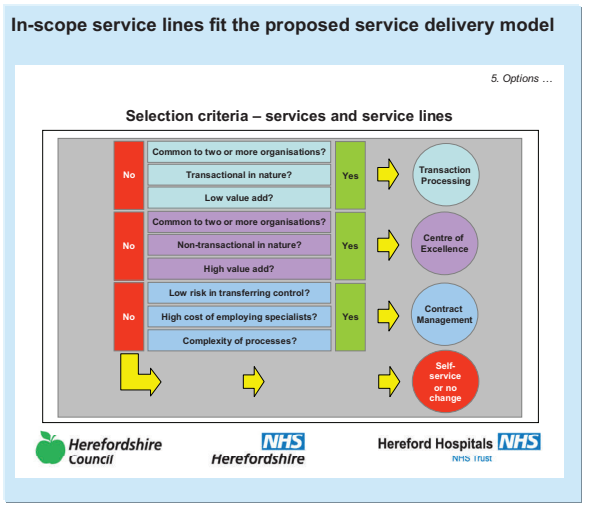
- The process began with a cross organisation mandate
- Senior stakeholder gave their views on design principles for:
 - What services to include in-scope
 - Which delivery models to consider
- Selection criteria based on these design principles have been applied to determine:
 - In-scope services
 - Transition and implementation scenarios.

There are in-scope service and speed of maturity options



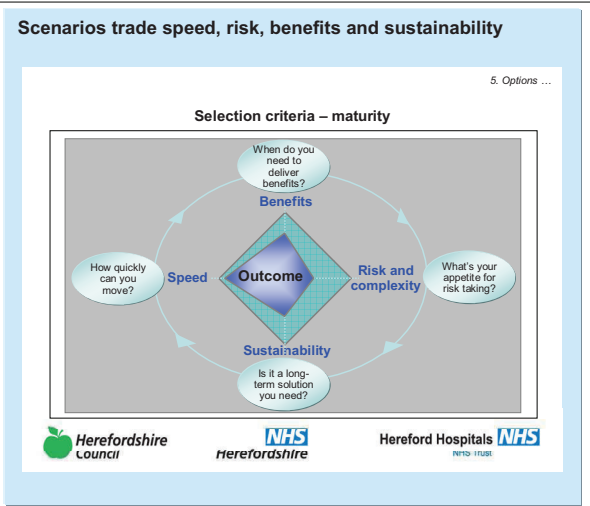
Service options selection criteria ...

- Each service and service line have been assessed against selection criteria based on the design principles
- Based on fit with the criteria they either align to:
 - Transaction processing (and routine services)
 - Centre of excellence
 - Contract management
- Some service lines are considered out of scope e.g. treasury management, or self-service e.g. purchase order requisitions



Maturity options selection criteria ...

- Some senior stakeholders would trade internal simplification and standardisation benefits for speed of transition to an outsourced service
- Others are slightly more cautious and would like to optimise internal benefits before migrating to an outsource service
- Others are more risk averse and want to understand in more detail the extent of potential savings, where they will come from and how



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6. Appraisal ...

Summary benefits schedule

A range is presented – Low to High benchmarks

HPS Shared Services - Expected Benefits	LOW		HIGH	
	FTEs	Total Saving	FTEs	Total Saving
1 Procurement	0.0	£886,000	0.0	£886,000
2 Finance	35.5	£1,025,403	40.3	£1,206,231
3 HR	27.8	£771,875	30.7	£873,629
4 Payroll & Expenses	0.0	£0	2.2	£55,935
5 ICT	28.7	£995,941	37.1	£1,177,654
6 Estates	7.0	£292,393	17.4	£730,983
7 Transport	3.4	£131,852	8.4	£296,676
8 Internal Audit	0.0	£0	0.0	£0
9 Legal	0.0	£0	0.0	£0
10 Printing & Distribution	0.0	£0	0.0	£0
11 Communications	1.0	£47,310	2.5	£118,274
12 Emergency Planning	0.4	£17,650	1.1	£44,126
TOTALS	103.7	£4,168,424	139.7	£5,389,509

Summary costs schedule

Two options are presented – Option-1 all internal team; Option-2 mixed team

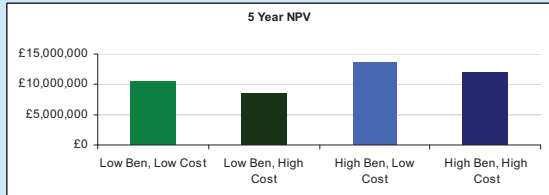
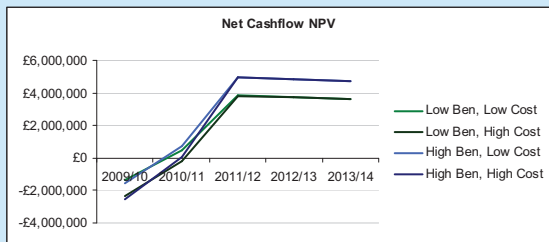
Team	Total Days	Avg FTEs	Option 1 Cost: Internal Team	Option 2 Cost: External Team
Transition Team	2,379	6	814,530	2,256,742
Contract Management	440	1	215,200	526,635
Strategic Partner Procurement	624	1	585,070	585,070
Business as Usual Team	563	1	225,200	225,200
TOTAL	4,006	9	£ 1,840,000	£ 3,593,647



Summary NPV schedule

Comment

- 4 scenarios are shown, varying
 - the size of benefit realised at top and bottom of the range
 - the cost of implementation (internal team only, or with external support)
- Low benefit, low cost has a 5 year NPV of £10.3m
- Low benefit, high cost has a 5 year NPV of £8.6m
- High benefit, low cost has a 5 year NPV of £13.7m
- High benefit, high cost has a 5 year NPV of £12.0m



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7. Recommendation ... key findings

There is a clear case but you need to prepare ...

- Our analysis and interviews have indicated costs of corporate support services to be in the region of £33m and include 870 support staff
- Following evaluation against the agreed design principles, in-scope services account for around £20m and 525 staff
- Services in scope are at various levels of maturity and we believe that for ICT Procurement, Finance, HR and Payroll there are major opportunities to deliver improved services and savings – some of which are quick wins
- A number of services are currently excluded from the scope of shared services which if included could improve market attractiveness
- There are other services for which increased collaboration would be beneficial
- Procurement, BPR and change management skills and capacity will be needed to transition to a shared service arrangement
- A strategic partner or partners will be needed to transition to improve quality of service, cost efficiency and sustainability.



Key recommendations (1)

- Proceed with shared services for a minimum of the agreed in-scope services
- Accept the 'outline business case' for the preferred option (as agreed at the models meeting) and range of costs and benefits predicted
- Move to the next stage of shared services through implementation of four service clusters:
 - Secure immediate cost savings opportunities for procurement
 - IT continue the transformation journey but further consideration should be given to timescales for implementation and opportunity for engaging with an ITO partner, especially if there are benefits in aligning BPO and ITO procurements
 - BPO type services to secure a strategic partner and supporting ERP solution and ahead of this services should be simplified and standardised to secure early savings in line with the business case and benefits
 - Progress the other services subject to planned reviews in some cases and recommended detailed reviews for others
- Adopt a Service Delivery Model with its three component parts:
 - Transition / routine processing
 - Centre of excellence
 - Contract management



Key recommendations (2)

- Procure a strategic partner or partners for transactions / routine processing including a potential ERP solution. A soft market test exercise should be undertaken to:
 - Engage with potential partners
 - Assess appetite locally and nationally
 - Understand preferences for ERP solution
 - Assess advantages/disadvantages for them/HPS & HHT re delivery models - JV or traditional outsourcing route
 - Determine whether IT forms part of this package or should stand alone through the soft market test
- Centres of excellence and contract management functions to be retained in-house and re-organised in relation to service need
- Create a Shared Services Transition Team
- Appoint a Shared Services Transition Manager at Director level to work with the three organisations and drive the recommendations forward
- Establish a core team to scope out and undertake the 'simplification and standardisation' process work



Key recommendations (3)

- Establish shared services governance for the partnership
- Mobilise a procurement project to secure the predicted savings
- Appoint a commercial manager to provide strategic leadership including contract management and delivery of innovative commercial solutions
- Merge procurement savings activity under one governing body (combining benefits work on Connects/Shared Services/Other activities)
- Undertake a rapid implementation planning exercise to prioritise savings opportunities and delivery plans
- Formalise combined procurement targets and delivery programmes and agree with the partnership
- Mobilise with quick wins targeted to deliver by April 2010.



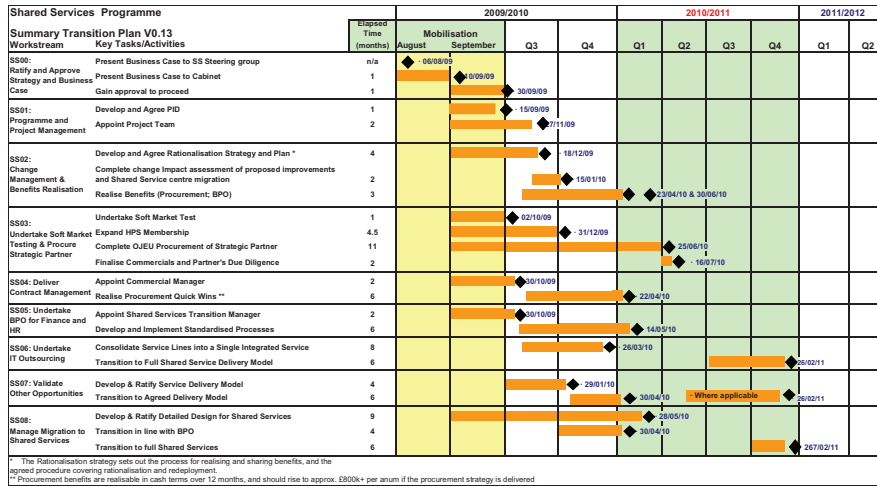
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High Level Plan

8. Transition ...



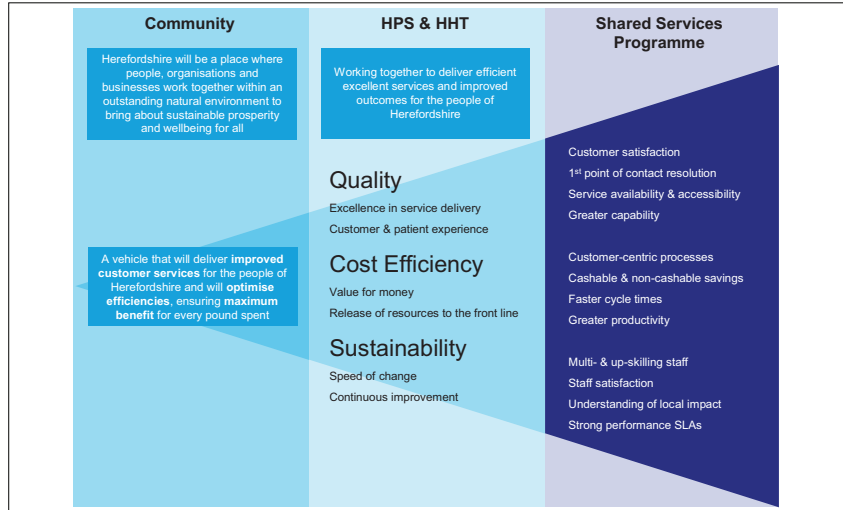
Key risks that could affect the timing and scale of benefits delivery

8. Transition ...

Project stage	Description/ Impact	Project stage	Description/ Impact
Ratify & approve business case	Delay in business case approvals	Procurement	Delay in developing tender specification for OJEU
Ratify & approve business case	Delay in members approval	Procurement	Poor quality of tender specification for OJEU
Ratify & approve business case	Delay in project funding	Procurement	Delay or inability to expand HPS membership
Ratify & approve business case	Continuity of project team lost due to delays	Procurement	Procurement timelines in benefits delivery cannot meet
Ratify & approve business case	Changes in senior team organisation impacts the project	Procurement	Time lag in closing the deal delays benefits
Project & programme management	Delay in appointing Shared Services programme manager	Contract management	Delays in appointment of commercial manager
Project & programme management	Delay in appointing & mobilising programme team	Contract management	Quick wins not realised in the planned
Project & programme management	Availability in allocating programme team resourcing	Contract management	Quick wins achieved lower than expectation
Change management & benefit realisation	Delay in agreement to services rationalisation approach	Contract management	Delays in establishing Centre of Excellence
Change management & benefit realisation	Lack of buy-in from key stakeholders	Outsourcing of BPO	Delays in appointment of shared services manager reduces/delays benefits realisation
Change management & benefit realisation	Programme gets called in for scrutiny, creating a time delay	Outsourcing of BPO	Standardisation benefits not realised in the planned timescale
Change management & benefit realisation	Benefits not realised in the planned timescale	Outsourcing of BPO	Sharing of services benefits not realised in the planned timescale
Change management & benefit realisation	Benefits achieved lower than expectation	Outsourcing of BPO	Standardisation benefits not realised in the planned timescale
Change management & benefit realisation	Apportionment of benefits not agreed, delaying timescale	Outsourcing of BPO	Shared service benefits achieved lower than expectation
Change management & benefit realisation	One of partners does not come on board reducing benefits and increasing timescales	Outsourcing of BPO	Delays in establishing Centre of Excellence
Change management & benefit realisation	One or more partners decides not to come on board for all processes in scope	Outsourcing of BPO	Delays in selecting ERP provider
Change management & benefit realisation	Insufficient benefits for one or more partners to justify their participation	Outsourcing of BPO	Delays in design, development and implementation of ERP
Change management & benefit realisation	Business as usual service levels worsen during transition	Outsourcing of BPO	Increase in cost of ERP implementation above budget due to costs estimate
Soft market testing	Delay in developing and issuing the PIN	Outsourcing of BPO	Increase in cost of ERP implementation above budget due to scope creep
Soft market testing	Lack of interest from potential partners	IT	Delays in integrating 3 organisations in systems
		IT	Delay in migration to in-house shared service
		Other service lines	Delay in reviews delays benefits delivery



Qualitative benefits ...



Quantitative benefits ...

A range is presented – Low to High benchmarks

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12 Emergency Planning	0.4	£17,650	1.1	£44,126
TOTALS	103.7	£4,168,424	139.7	£5,389,509



Annex 2: Business Area Assessments

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PHASE 1 – Business Area Assessment for Procurement

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
<p>Summary of Shared Service Opportunity</p>	<ul style="list-style-type: none"> • Operating model and strategic sourcing: Implement procurement shared service model according to uniqueness and criticality to service delivery. Sourcing strategy activities and responsibilities defined by selected shared service model option. • Savings delivery: Benchmark common spend across three organisations. Aggregate/rationalise spend and supply base, including quick win delivery. • Purchase to pay processes: Pool transactional activity, locations and resources to deliver operational efficiency through economies of scale (see BA 02 – Finance) • Purchasing compliance: Improve monitoring of procurement across Council and Trusts, and reduce the potential for maverick spend • E-enablement: Broaden and potentially unify systems to achieve higher level of end to end automation including electronic transmission and matching of PO's and invoices 			<ul style="list-style-type: none"> • Majority of HC procurement is devolved, which when combined with a limited capacity to provide central guidance and expertise, means less advantageous outcomes are more likely. • A stronger strategic procurement capability is required across all three organisations, most pressing at HC • High level of manual invoice matching and payment processes; • Electronic receipting occurs within PCT, but without any link from the EROS system to the Integra Ledger to facilitate electronic matching • These processes are already shared between the health trusts; partly-centralised within HC • Capability of systems and processes should be assessed against key business requirements, to include provision of contract and spend MI
<p>Issues / Constraints</p>	<ul style="list-style-type: none"> • Most large scale procurement activity in Trusts is currently managed through external collaborative facility such as HPC. Standard supply items in Council are currently bought by West Mercia Supplies. • Interoperability of current finance and purchasing systems. 			<ul style="list-style-type: none"> • Besides the requirement to maintain three separate ledgers (statutory requirement), these issues need to be mitigated before the activities can be consolidated. Sectoral collaboration, rather than

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
	<ul style="list-style-type: none"> • HC central spend management/monitoring is developing but risk of considerable off-contract spend on common goods and services • Variety of procurement types to accommodate, including standard goods and services. Need to establish balance between centralising control and ensuring that commissioning and procurement precisely meet the needs of service owners (e.g. Social Care). • Recruiting suitably skilled procurement professionals has proved difficult in other public sector organisations. • There may be a need to implement specific process improvements if sharing is to yield efficiencies. • No electronic receipting of goods and services outside of PCT, therefore observed inefficiencies will remain, e.g. manual matching and calculation of accruals and commitments. 			<p>Herefordshire collaboration, will often deliver greater value</p> <ul style="list-style-type: none"> • A cost/benefit analysis should be carried out to see if minor systems improvements could leverage substantive benefits prior to the full rollout of the shared services strategy
Spend & Key Categories	<p>Total: £15m pa (influencable)</p> <ul style="list-style-type: none"> • Medical and Clinical supplies • Adults Social Care 	<p>Total: £40-45m pa</p> <ul style="list-style-type: none"> • Medical and clinical supplies • Hospital PFI 	<p>Total: ~£80m pa (£53m categorised), ~2,000 suppliers</p> <ul style="list-style-type: none"> • Adults Social Care • Highways • Waste • Transport • Temporary staff 	<ul style="list-style-type: none"> • Further work required to gain visibility/understanding on spend beyond major contracts • Specific areas of opportunity (e.g. switching to buying HHT's electricity and gas requirements via wholesale-market contracts) are explored in the detailed report sent to the SSP Steering Group
Location	<ul style="list-style-type: none"> • Staff locations for corporate functions and service areas are dispersed across the estate 			<ul style="list-style-type: none"> • Dispersal places greater emphasis on MI and systems to allow "virtual" team working
Processes	<ul style="list-style-type: none"> • Strategic - utilise HPC, NHS Supply Chain, NHS PASA • 	<ul style="list-style-type: none"> • Strategic - utilise HPC, NHS Supply Chain, NHS PASA • 	<ul style="list-style-type: none"> • Strategic – corporate deals in place for common spend, utilise West Mercia Supplies, devolved 	<ul style="list-style-type: none"> • Some decentralised elements of invoice processing for certain social care commissioning • Limited use of Cedar POPS across HC

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
			to service areas for specialist service	
Organisation & Resources in scope:	PCT	HHT	HC	TOTALS
FTEs:	1.72	1.6	2.0	5.32 Also additional resources in service areas dealing with suppliers on operational and commercial aspects
Pay Costs:	£ 50k	£ 31k	£ 64k	£ 145k
Agency Costs:	£ 5K	£ -k	£ -k	£ 5k
Direct Costs:	£ 6k	£ 1k	£ 8k	£ 15k
Technology / Systems	<ul style="list-style-type: none"> EROS (P2P) with catalogue functionality, receipting and e-mail notification to NHM when requisition value exceeds authority limits Integra (finance system) No electronic interface between P2P and finance system 	<ul style="list-style-type: none"> EROS (P2P) with catalogue functionality but no e-mail notification Integra (finance system) No electronic interface between P2P and finance system 	<ul style="list-style-type: none"> Cedar (finance system) Manual pads used to issue PO's Some use of Order Processing via Cedar across HC (10-15% of PO's) 	<ul style="list-style-type: none"> Systems and accompanying processes must support commercial and category strategies by providing spend visibility and control over sourcing decisions Potential Quick Win by 1) sharing techniques for reporting in EROS between PCT and HHT, and 2) by switching on web-enablement of EROS for HHT

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
Compliance & Contract Monitoring	<ul style="list-style-type: none"> All orders verified by central transaction team Contract monitoring/management devolved to service areas 	<ul style="list-style-type: none"> Aligned with PCT practice 	<ul style="list-style-type: none"> Manual processes and initial spend analysis indicate risk of non-compliance on common spend Contract management on common spend led by WMS 	<ul style="list-style-type: none"> Completion of the creation of a contracts database across the three parties is pivotal both in delivering short term savings and leveraging the combined spending power of the three organisations
Performance / Productivity (Procure to Pay only)	2008/09 performance: Invoices /Payments Processed = 28,237 Pd in 30 days: 89%	2008/09 performance: Invoices /Payments Processed = 33,357 Pd in 30 days: 90%	2008/09 performance: Invoices /Payments Processed = 67,500 Pd in 30 days: 90.46%	<ul style="list-style-type: none"> Represents the minimum performance standard for a shared service Note: a number of consolidated invoices within processes stats Supplier performance assessments and price benchmarking undertaken as savings delivery activity Ratios on spend/transaction volumes to be calculated to model future resource requirements
Major Contracts inc renewal dates	Major healthcare contracts with other NHS and non-NHS bodies	Hospital PFI Hotel, rents and travel (mental health and social care)	Highways Waste Temporary staff Telecoms	<ul style="list-style-type: none"> Further work needed to establish the complex procurement capabilities of the three organisations. This is likely to identify requirements for up-skilling

PHASE 1 – Business Area Assessment for Finance

BA 02
V0.7

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
<p>Summary of Shared Service Opportunity</p>	<p>Service Delivery Model: there is an opportunity to provide key Finance service lines on a shared basis:</p> <ul style="list-style-type: none"> • Transaction Processing: pooling resources and establishing standardised ways of working for common, repetitive transactional processes to deliver efficiency savings through economies of scale, eg. Processing Supplier Invoices • Centres of Excellence: pooling expertise across the three partners to provide specialist financial services which reflect their individual needs, with an emphasis on strategic financial support, governance and financial management. The CoE would provide strategic advice and input to the Executive teams, and day-to-day financial input into decision-making at the division/service level across all directorates. • Contract Management: major opportunity to leverage aggregate spend on technology if the three partners were to share the same system, which would also afford the opportunity to rationalise existing core systems, such as Cedar, Eros, Integra <p>Savings Delivery: both efficiency and cashable savings can be realised from centralising, standardising, integrating and automating transaction processing and financial reporting.</p> <p>Compliance: centralising Finance across the three partners affords the opportunity to develop, implement and monitor standard Financial regulations, operating policies and procedures, flexed to meet the statutory responsibilities of Councils and NHS.</p> <p>Enabling technology: within a shared services environment, the implementation of a common technology platform would offer a single data entry point, fully integrated transaction processing and a single point of access to consolidated data. Confidence that Financial data is accurate and standing data is maintained would be enabled through automated data validation and the implementation of monitoring and process controls.</p> <ul style="list-style-type: none"> • The three partners are separate legal entities, therefore separate ledgers, organisation data, and master files need to be maintained 			<ul style="list-style-type: none"> • Opportunity arises from sharing repetitive transactional processes, and consolidating core expertise and business support skills. • Processes are operated across three ledgers at present: <ul style="list-style-type: none"> • Cedar: (HC) • Integra: (PCT & HHT, but different configurations) • Where identified and practicable, a cost/benefit analysis should be carried out to see if any substantive benefits would arise from implementing minor systems/procedural
<p>Issues /</p>				

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
<p>Constraints</p>	<ul style="list-style-type: none"> An integrated systems solution is a prerequisite to the success of any shared service solution, and will help leverage cashable savings and efficiency gains. At present, there are only plans to introduce an ERP across the Council. Partner representatives perceive a need to retain specialist local knowledge within the retained organisations – however, the emerging delivery model proposes consolidating the specialist, strategic support within Centres of Excellence Financial control, governance and approval/sign-off of accounts cannot be shared 			<p>improvements as part of the migration to shared services.</p> <ul style="list-style-type: none"> There are unique processes in each of the Partners; e.g. within HC, Finance supports the setting of Council Tax levels The proposed Service Delivery Model needs to be disseminated across the Partners
<p>Processes/ Service Lines in scope</p>	<ul style="list-style-type: none"> Financial Accounting <ul style="list-style-type: none"> Maintain and update ledger Masterfile data and systems access Prepare and enter journals Perform financial month-end and year end close Manage Bank and Cash (Treasury Management: NOT included) Update and Maintain Asset register Manage Charitable Funds (Prepare Statutory Accounts: NOT included) Prepare Quarterly Accounts Produce financial reports (systems/spreadsheet) Provide budgeting, forecasting and reporting services 			<ul style="list-style-type: none"> S/M/TP: <ul style="list-style-type: none"> TP TP TP M N/A M M N/A M TP M

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
	<ul style="list-style-type: none"> • Provide Management Accounting Services (monitoring, project support, financial commentary, HC budget setting) • Provide strategic advice & support • Manage Revenue Cycle • Produce and Remit Customer Invoices • Bank and Process Receipts • Process Sundry Cash Receipts • Manage Debtors (incl overpayment recovery) • Accounts Payable • Prepare Invoices (incl Provider) • Input invoices & store (incl Provider) • Pay Suppliers • Manage Creditors 			<ul style="list-style-type: none"> • M • S • TP • TP • TP • M • TP • TP • TP • TP
Organisation & Resources in scope:	PCT	HHT	HC	TOTALS
FTEs:	38.1	13.83	50.4	102.33
Weighted Pay Costs:	£ 1,033k	£ 682k	£ 1,376k	£ 3,091k
Agency Costs:	£ 127K	£20k	£ 61k	£ 208k

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
Direct Costs:	£ 132k	£ 21k	£ 99k	£ 252k
Performance / Productivity	2008/09 performance: Invoices /Payments Processed = PCT: 28,237 Pd in 30 days: 89% HHT: 33,357 Pd in 30 days: 90% AR: 1,748 invs pa		2008/09 performance: Invoices /Payments Processed = 102,219 AR: 11,744 invs pa	<ul style="list-style-type: none"> • Represents the minimum performance standard for a shared service • Note: a number of consolidated invoices within processes stats
Locations:	<ul style="list-style-type: none"> • Plough Lane 	<ul style="list-style-type: none"> • Trust HQ 	<ul style="list-style-type: none"> • Plough Lane • Thorne (payments & payroll) • Town Hall (Manage Debtors) 	<ul style="list-style-type: none"> • Minimal presence outside of Plough Lane
Current Technology / Systems	<ul style="list-style-type: none"> • Integra GL & report writer - Org. views have not been set up or used therefore no direct access to consolidated reports • Manual interface with Payroll 	<ul style="list-style-type: none"> • Integra GL with chart of accounts • Manual interface with Payroll 	<ul style="list-style-type: none"> • Cedar GL with chart of accounts • Manual interface with Payroll 	<ul style="list-style-type: none"> • Note Integra configurations are different. Need to assess whether these can be normalised.

BA 03
V0.5

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
<p>Summary of Shared Service Opportunity</p>	<p>Service Delivery Model: there is an opportunity to provide key HR service lines on a shared basis:</p> <ul style="list-style-type: none"> • Transaction Processing: pooling resources and establishing standardised ways of working for common, repetitive transactional processes to deliver efficiency savings through economies of scale, e.g. recruitment processes, employment contracts, etc. • Centres of Excellence (CoE): pooling expertise across the three partners to provide specialist HR advisory services, which reflect their individual needs, with an emphasis on strategic HR support, governance and HR management. The CoE would provide strategic advice and input to the Executive teams in each organisation and day-to-day HR input into decision-making at the division/service level across all directorates, as well as being the front-line contact point for key stakeholders, such as trade Unions, residents, partner agencies, etc. It would also provide the professional, expert advice to support Managers in delivering the people management element of their roles. It would also offer the opportunity to allow wider development opportunities and sharing of best practice across the current organisations. There would also be potentially more capacity to cover overall needs, as service areas have peaks and troughs in demand. • Contract Management: major opportunity to leverage aggregate spend on key areas, such as agency/contractor spend and potentially learning and Development <p>Savings Delivery: both efficiency and cashable savings can be realised from centralising, standardising, integrating and automating transaction processing and HR reporting.</p> <p>Enabling technology: Within a shared services environment, the implementation of a common technology platform would offer a single data entry point, fully integrated transaction processing and a single point of access to consolidated data.</p> <p>However, given the constraints within the Health sector, which mean that the ESR HR and Payroll Management system is mandatory it will require an interface being built between the</p>			<ul style="list-style-type: none"> • Opportunity arises from sharing repetitive transactional processes, and consolidating core expertise and business support skills. • Where identified and practicable, a cost/benefit analysis should be carried out to see if any substantive benefits would arise from implementing minor systems/procedural improvements as part of the migration to shared services. • There are unique processes in each of the Partners; e.g. within HHT, HR supports the medical recruitment process, which is inextricably tied into tight external controls.

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
<p>Issues / Constraints</p>	<p>proposed HC ERP system, and the PCT/HHT system.</p> <p>This would promote the development and delivery of more coherent and integrated MI data, particularly for JMT.</p> <p>There would be benefits in terms of the ability to feed accurate, jointly gathered data into workforce planning processes, which will be increasingly beneficial as integration of services expands and commissioning services become increasingly sophisticated in their planning and evaluation of future service needs, focussed on client based needs. Confidence that HR data is accurate and standing data is maintained would be enabled through automated data validation and the implementation of monitoring and process controls.</p> <ul style="list-style-type: none"> The three partners are separate legal entities, therefore there will be an ongoing need to maintain individual elements/requirements in respect of a range of HR factors, such as policy development, employment contracts and terms and conditions (though this element would be more of a two way split, as the PCT/HHT both operate national Health Service T&C's) An integrated systems solution is a prerequisite to the success of any shared service solution, and will help leverage cashable savings and efficiency gains. At present, there are only plans to introduce an ERP across the Council, but the potential to develop an interface with ESR could resolve this element. Partner representatives perceive a need to retain specialist local knowledge within the retained organisations – however, the emerging delivery model proposes consolidating the specialist, strategic support within Centres of Excellence Within the CofE approach there may be issues to consider and resolve, around the segregation of the commissioning/supplier relationship between the PCT/HHT, but these should be manageable overall. There will need to be a major programme of upskilling Managers and staff to utilise a self service model, which will allow the full potential of a shared services approach to be realised. We will need to consider incorporating Health and Safety services in the detailed work. Whilst these staff are included in HC's HR figures, in the PCT a ½ time role and in HHT 1 full time role are located outside the HR functions. 			<ul style="list-style-type: none"> The proposed Service Delivery Model needs to be disseminated across the Partners

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
Processes/ Service Lines in scope	Strategic/Advisory <ul style="list-style-type: none"> • Advice to senior management teams • Employee Relations • Business partnering • Organisational Development • Policy Advice • Learning and Development • Pay and Reward • Recruitment • Health and Safety • Management Information Transactional <ul style="list-style-type: none"> • Employee Relations • Pay and Reward • Recruitment • Learning and Development • Occupational Health • Health and Safety • Management Information 			
Organisation & Resources in scope:	PCT	HHT	HC	TOTALS

Organisation	PCT	HHT	HC	COMMENTARY
Key Activity				
FTEs:	11.01	18.39 (1.6 FTEs light)	61.33	90.73
Pay Costs:	£ 349k	£ 460k	£1,523k	£ 2,332k
Agency Costs:	£ 181k	£ 12k	£ 218k	£ 411k
Direct Costs:	£ 17K	£ 34k	£ 63k	£ 114k
Locations:	<ul style="list-style-type: none"> Plough Lane 	<ul style="list-style-type: none"> Trust HQ 	<ul style="list-style-type: none"> Plough Lane Castle Green 	<ul style="list-style-type: none"> HC/PCT has a small presence outside of Plough Lane, particularly at Castle Green Training Centre
Current Technology / Systems	<ul style="list-style-type: none"> ESR Integrated with Payroll 	<ul style="list-style-type: none"> ESR Integrated with Payroll 	<ul style="list-style-type: none"> CHRIS Teachers system runs FoxPro separately to CHRIS No interface with Payroll 	<ul style="list-style-type: none"> HC currently running a major change programme to move to an integrated ISS solution

BA 04
V0.3

PHASE 1 – Business Area Assessment for Payroll and Expenses

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
<p>Summary of Shared Service Opportunity</p> <p>Issues /</p>	<p>Service Delivery Model: there is an opportunity to centralise Payroll and Expense Processing services currently provided by HC and HHT. (HHT currently provide both services to PCT.)</p> <p>Transaction Processing: pooling resources and establishing a single Payroll & Expenses processing centre to deliver efficiency savings through economies of scale, and more efficient use of resources in processing approved transactions. In addition, data entry resources could be pooled between the two teams, recognising that there are different systems deployed. Specialist knowledge of the differing scales and allowances both across and within the Trusts and Council would be maintained by individuals within the centre.</p> <p>Compliance: centralising Expense Processing across the three partners affords the opportunity to develop, implement and monitor standard regulations across the three partners, with operating policies and procedures flexed as required to meet the individual needs of the Council and the NHS trusts</p> <p>Enabling technology:</p> <ul style="list-style-type: none"> • Expenses Management: the implementation of a common, integrated Expenses Management within a shared services environment, would afford the opportunity to implement self-service claimant entry, with monitoring controls embedded to ensure compliance with policies. This would reduce manual processing effort and direct resources at the centre towards monitoring compliance and reporting exceptions. • Payroll Processing: Due to extant NHS regulations (tbc), the two trusts are required to use the ESR system, which also serves as an HR Management System, including recruitment services. The HC Selima system could be replaced by a standard ERP module or interfaced. <p>• Each payroll section deals with totally different terms and conditions, and within each</p>			<ul style="list-style-type: none"> • Opportunity arises from sharing repetitive transactional processes, and consolidating core expertise and business support skills. • Expense processing is a manual operation – validated expenses payments are processed through payroll. • Payroll is operated on two systems, Selima (HC) and ESR (NHS) Payroll data is uploaded into the financial systems: <ul style="list-style-type: none"> • Cedar: (HC) • Integra: (PCT & HHT, but different configurations)

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
Constraints	<p>payroll section they deal with several terms and conditions (e.g. Teachers, Medical Staff, Clerical Staff and LGPS etc). This incorporates different terms for maternity, sickness, additional hours payments, expenses, and perhaps the most complicated, pensions (e.g. Teachers and LGPS). Given this, it is unrealistic to assume staff could gain a specialised knowledge of additional, totally different terms and conditions.</p> <ul style="list-style-type: none"> • The three partners are separate legal entities, therefore separate ledgers, organisation data, and master files need to be maintained • An integrated systems solution is a prerequisite to the success of any shared service solution, and will help leverage cashable savings and efficiency gains. At present, there are only plans to introduce an ERP across the Council. 			
Processes/ Service Lines in scope	<p>Manage Payroll</p> <ul style="list-style-type: none"> • Manage payroll system • Process payroll updates • Process movers/ starters/ leavers changes • Run payroll • Provide Pension support service • Process Expenses 			<ul style="list-style-type: none"> • S/M/TP: • TP • TP • TP • M • TP
Organisation & Resources in scope:	PCT	HHT	HC	TOTALS
FTEs:	-	9.81	11.2	21.01

Organisation	PCT	HHT	HC	COMMENTARY
Key Activity				
Pay Costs:	-	£ 302 k	£ 225 k	£ 527k
Agency Costs:		Nil		
Direct Costs:	-	£ 5k	£ 23K	£ 28k
Performance / Productivity	-	<ul style="list-style-type: none"> • Payslips: 62,604 pa • Error rate: 0.29% 	<ul style="list-style-type: none"> • Payslips: 81,121 pa • Error rate: 0.06% 	
Locations:	-	<ul style="list-style-type: none"> • Trust HQ 	<ul style="list-style-type: none"> • Thorne (payments & payroll) 	<ul style="list-style-type: none"> • HHT payroll established in temporary accommodation at Trust HQ
Current Technology / Systems	-	<ul style="list-style-type: none"> • ESR 	<ul style="list-style-type: none"> • Selima 	<ul style="list-style-type: none"> • Note : ESR is mandatory

HEREFORDSHIRE SHARED SERVICES

PHASE 1 – Business Area Assessment for Information and Communications Technology (ICT)

BA 05
V 1.0

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
<p>Summary of Shared Service Opportunity</p>	<ul style="list-style-type: none"> Operating model and strategic sourcing: Centralisation of the ICT function balancing need for standardised services in some areas, with specific organisational needs in others. Creation of a platform for innovation for the benefit of citizens through a joined-up information strategy. Creating a platform for strategic sourcing in the medium to longer term. Savings delivery: Specific opportunities for savings in some areas – such as IT Operations. Processes: Consistent approaches to all aspects of the management of ICT using industry standards such as PRINCE2/MSP (projects and programmes), ITIL / ISO20000 (operations and service management), ISO9001 (applications development and management), and ISO27001 (security), and SFIA (career progression). Other standards / approaches such as TOGAF etc could be adopted in due course for architecture. Compliance: Improved management of service to consistent standards. Single model for compliance with standards, and look and feel of externally facing ICT. Technology: Opportunity to build a single cross organisation ICT strategy and infrastructure incrementally over time. Core components could include single platforms for corporate systems, and integration between applications across Herefordshire leading to enhanced service provision (e.g. PCT to Adult Services). Standardisation on the platforms and technologies used to a smaller subset of those used today. 			<ul style="list-style-type: none"> There is a strong basis for a Shared Services model across the ICT service. The first steps towards an integrated service have already been taken.
<p>Issues / Constraints</p>	<ul style="list-style-type: none"> Issue. Realising savings in areas potentially over-staffed in the integrated organisation at the same time as growing areas in which there is limited capacity. Potential resolution: Pace change to focus on priority areas (e.g. IT operations) first, and build newer competencies in the longer term. 			<ul style="list-style-type: none"> Need to refine the understanding of identify ICT provision outside of central function across all service directorates. Some areas have already been identified (e.g. some proportion of the 12.5 FTE's in PCT

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
	<ul style="list-style-type: none"> Issue. Identifying and managing down the extent to which ICT services are delivered outside the ICT function to: reduce duplication of provision; eliminate conflict with the ICT vision and strategy, and; achieve additional savings. Potential resolution: Undertake a roots and branches review of ICT in service lines starting with a view form Connects. Issue. Risk to disruption of compliance with standards (notably ISO27001) in making transition as the scope of applicability will change and therefore involve recertification. Potential resolution: Impact assessment against certification scope for relevant standards and assessment of ways in which scope of HC QMS and SMS can be extended to PCT/HHT. (This is already in progress with the HC certification body). Constraint. Future operating model contains gaps in key areas which will be difficult to fill internally and which may be in areas for which resources are high value and in short supply (e.g. enterprise architecture). Potential resolution: Build functions affected at a slower pace and play to existing strengths in first phases of transition. Constraint. Applications development and maintenance likely to involve skills in a significant number of niche technologies for which skills internally may be in short supply, cross training may be costly, and for which the market is unable to supply. Potential resolution: Identify skills pinch points and work towards standardisation / rationalisation in areas where this is possible. Constraint. Need to balance improvements in service provision and longer term strategy with costs of so doing. CIPFA benchmarking data for HCC suggests that the current level of provision is already good value relative to other authorities. Potential resolution: Identify areas in which maintaining the status quo is a priority and further reductions would pose a risk to service. 			<p>Performance / Information Services, and up to 22 already identified in other functions).</p> <ul style="list-style-type: none"> Need to identify competencies of those in place in existing organisation vs. roles in target model to assess size of the gap.
Spend, Headcount and	<ul style="list-style-type: none"> Total: £2.88m pa FTEs: 54 	<ul style="list-style-type: none"> Service shared with PCT so accounted 	<ul style="list-style-type: none"> Total: £6.99m pa FTEs: 103 	

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
Focus	<ul style="list-style-type: none"> Focus on operational ICT service, application development, and management, and portfolio management. 	<ul style="list-style-type: none"> for in PCT budget 	<ul style="list-style-type: none"> Focus on operational ICT service, application development, and management, and portfolio management. 	
Organisation & Resources	<ul style="list-style-type: none"> Organised into: <ul style="list-style-type: none"> Portfolio Management IT technology operations IT application management Applications development. 	<ul style="list-style-type: none"> Service shared with PCT so no dedicated headcount 	<ul style="list-style-type: none"> Organised into: <ul style="list-style-type: none"> Client & support services Technical Architecture IT technology operations IT application management Applications development Knowledge management 	<ul style="list-style-type: none"> Gaps in terms of skills and competencies exist in both HC and PCT/HHT. There is an opportunity to integrate the teams to take advantage of these complementary resource profiles, equally there are efficiencies to be gained where there is duplication, and areas where neither side has skills today – such as Enterprise Architecture - that need to be developed. For example: <ul style="list-style-type: none"> HC has strengths in Knowledge Management and Web Design services – but there is limited equivalent capability in PCT/HHT. HC has some capability in Technical Architecture; PCT limited. PCT/HHT have strengths in Portfolio Management and IT Training, areas not developed in HC. Client & Support Services have different shapes across the three

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
				<p>organisations. Account management developed in HC, but no equivalent in PCT.</p> <ul style="list-style-type: none"> • Shape of transactional core (application development and management, and technology operations) relative to total capacity very similar in each organisation and the combined. • Centre of Excellence in PCT roughly double as a proportion of the total capacity vs. transactional in PCT/HHT – and 25% more in absolute terms.
Location	<ul style="list-style-type: none"> • Long term plan is to re-locate the team to Plough Lane • ICT services are delivered to people in approximately 65 locations for the PCT (28 locations), HHT (1) and GP's (36), and over 90 locations for HC excluding schools. 			<ul style="list-style-type: none"> • Complex physical dispersion of support needs
Processes	<ul style="list-style-type: none"> • PRINCE2 and ITIL (v3) training being rolled out. • Information Governance and Assurance in line with CfH frameworks at high level of maturity. 	<ul style="list-style-type: none"> • As PCT 	<ul style="list-style-type: none"> • ISO27001 certification already in place. • ITIL / ISO20000 in discussion. • CIPFA and SOCITM benchmarking in place for ICT service and external web sites respectively. 	<ul style="list-style-type: none"> • Industry standards being adopted across the three organisations, but with a different emphasis in each of the constituent parts (e.g. certification for ISO27001 and ISO9001 in place in HC but not PCT/HHT, more advanced PRINCE and ITIL training in the PCT).
Technology / Systems	<ul style="list-style-type: none"> • Over 120 applications, range of supported and 	<ul style="list-style-type: none"> • Included in PCT 	<ul style="list-style-type: none"> • Over 900 identified applications and data sets plus 	<ul style="list-style-type: none"> • Diverse and complex application set typical of many public sector organisations, but capable of

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
	unsupported		another 45,000 plus data sets within GIS systems.	<p>rationalisation.</p> <ul style="list-style-type: none"> Some exposures for many business user developed applications for which specialist knowledge is sparse and for which support from the ICT service is not provided. The key opportunity from a technology and systems point of view is to collect and record data on citizens once thereby achieving a step change in customer service at the same time as creating business processing efficiencies and increased accuracy.
Compliance & Contract Monitoring	<ul style="list-style-type: none"> Low level of contract administration support across all areas. 	<ul style="list-style-type: none"> Low level of contract administration support across all areas. 	<ul style="list-style-type: none"> Low level of contract administration support across all areas. 	
Performance / Productivity	<ul style="list-style-type: none"> Lower cost of service provision than HC on a like for like basis, but over a different user population. 	<ul style="list-style-type: none"> As PCT 	<ul style="list-style-type: none"> CIPFA benchmarks applied across HC's ICT provision – picture emerges of an efficient organisation at a given quality point, but with lower than desirable quality ratings in terms of user and customer satisfaction than peer organisations. 	<ul style="list-style-type: none"> Need to agree a common benchmarking approach across the integrated whole, together with a transition to ensure continuity of understanding. An extension of the CIPFA benchmarking scope is an option. Key KPI's likely to include: <ul style="list-style-type: none"> Efficiency (costs per user / workstation) Customer and user service. Acquisition costs

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
Major Contracts inc renewal dates	<ul style="list-style-type: none"> • 57 individual contracts; 21 over £10,000, only 9 are over £50,000. • The top 10 contracts by value total 76% of contract spend (£1.55m) 	<ul style="list-style-type: none"> • As PCT 	<ul style="list-style-type: none"> • 224 individual contracts; only 31 over £10,000, only 9 are over £50,000. • The top 10 contracts by value total 71% of contract spend (£2.26m) 	<ul style="list-style-type: none"> ○ Service incident resolution. • There is a diversity of contract spend and a significant difference in the supplier makeup across the three organisations – this may present an opportunity for rationalisation and sourcing (e.g. as renewal dates come up) .

HEREFORDSHIRE SHARED SERVICES

PHASE 1 – Business Area Assessment for Estates

BA 06
V 10

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
<p>Summary of Shared Service Opportunity</p>	<p>Service Delivery Model: There is an opportunity to centralise Facilities and Asset Management across the three partners which would afford the opportunity for more effective management of suppliers. Moving forward there is also an opportunity to explore savings and synergies through co-location of existing office space through the proposed consolidation at Plough Lane. Consolidation of estates is expected to save HC more than £500k. Greater savings could be achieved if a co-location strategy was pursued across all three organisations.</p> <ul style="list-style-type: none"> • Contract Management: HHT and HC have outsourced contracts for facilities management with Mercia (£13.5million PFI) and Amey (approx £1 Million) which can be contract managed by a shared service. There is also an opportunity to explore shared management of HHT and PCT’s clinical waste contracts. • Centres of excellence: Major opportunity for pooling management and specialist expertise particularly around strategic asset management, property valuation, property services and facilities management (including grounds maintenance, building cleaning and catering; statutory compliance, including asbestos and Legionella surveys, fire risk assessment and other capital works). • PCT on-call maintenance team consists of plumbers and electricians which could be shared to provide maintenance support across all three partners. • Pooling maintenance teams in a shared service would enable the consolidation of the internal helpdesk function by the three organisations. • Telecommunications support should also be shared. • Transaction processing: Single point of contact for colleagues to requisition internal services. Shared service should operate facilities management 			<ul style="list-style-type: none"> • HC are already pursuing a strategy to consolidate all council accommodation at the Plough Lane site; buying new land and buildings for shared office accommodation for circa 1,600 FTEs. HC expect that the accommodation strategy will deliver savings of over £500k per annum. • Amey contract averages around £1m per annum. HC has an annual budget of between £2-3 million (including devolved schools expenditure) specifically excluded from the Amey contract. In addition the Council pays £1.4m annually in respect of the Whitecross School PFI. • Within HC, CYPD have responsibility for school asset management. CYPD is currently out of scope but should be investigated

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
	<p>helpine, allocate resource to maintenance jobs, track start dates to completion and provide management reports.</p> <p>Enabling technology: successful delivery of an integrated ERP platform incorporating procure to pay and works order management would enable standardisation of systems, providing a good opportunity for decommissioning unsupported legacy systems used by the Council (e.g. Cupid and Dataease).</p>			<p>in future work.</p>
<p>Issues / Constraints</p>	<ul style="list-style-type: none"> • Contract Management: HHT expressed serious concerns during interviews about shared service management of their Mercia facilities management contract. There are specific areas in health that require specialist knowledge held by HHT team. • Centre of excellence: Although a number of service lines could be shared all three organisations see a need to retain sufficient expertise to perform an intelligent customer function (e.g. capital project expertise, medical equipment maintenance knowledge etc). • PCT has some concerns about a central team managing the PCT facilities as much of the maintenance work is specific to the PCT's building / equipment and requires the technical knowledge e.g. maintenance of autoclaves. • PCT raised concerns that the on call maintenance team is already heavily utilised maintaining the PCT's estate and is likely to have little capacity for providing maintenance support elsewhere. • Integration and standardisation of asset management and property information systems is required before benefits of a centre of excellence can be realised. • Enabling Technology: Sharing of property information function would require considerable data consolidation and investment in a new property information system. • Sourcing: HHT has a PFI contract with Mercia for facilities management and maintenance and repairs. The Trust believe it would be very difficult to take these services outside the contract; costs of renegotiation would be high and the move may be seen as undermining the PFI market. 			<ul style="list-style-type: none"> • PCT and HC use different systems for works management (Shire and Cupid respectively). Cupid is unsupported by HC ICT.

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
	<ul style="list-style-type: none"> Other Constraints: HC earns recharge revenue in respect of Schools support and capital Projects. In 2008/9 this totalled £155k school support recharge and £449k capital. This recharge would be reduced in line with cost savings, as recharges are calculated under a strict costs-only formula. 			
Organisation	PCT	HHT	HC	Totals
FTEs	10.5	3.9	55	73.4
Pay costs	£254k	£128k	£1,710k	£2,281k
Agency costs	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> £43k 	<ul style="list-style-type: none"> £549k 	<ul style="list-style-type: none"> £592k
Memo: Agency FTEs	<ul style="list-style-type: none"> 0 	<ul style="list-style-type: none"> 0 	<ul style="list-style-type: none"> 17.4 	<ul style="list-style-type: none"> 17.4
Direct costs	<ul style="list-style-type: none"> £61k 	<ul style="list-style-type: none"> £77k 	<ul style="list-style-type: none"> £103k 	<ul style="list-style-type: none"> £976
Performance / Productivity			<p>The Council has adopted the Audit Commission Performance Indicators for Estate Management. There are 5 Primary PIs and 11 Secondary PIs.</p> <p>NaPPMI (National Property Performance Management Initiative) collates Asset Management performance indicators including:</p> <ul style="list-style-type: none"> Condition of operational and non-operational portfolio % change in maintenance Energy and water costs <p>Herefordshire Council subscribe to a Benchmarking Club called</p>	

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
			COPROP which measures customer satisfaction for building maintenance. <ul style="list-style-type: none"> Franklin house Reception staff at other HC sites 	
Location	Belmont	Hospital site		
Processes	<ul style="list-style-type: none"> Perform maintenance and repairs Strategic management Operational management Strategic Asset Management Capital/Maintenance Team Reception Services Custodial Services Admin & Support Valuation Team (HC only) Land Agents (HC only) 			S/M/TP (Service Delivery) Service Delivery S M S M Service Delivery Service Delivery Service Delivery M M NB: Activities of Capita/Maintenance team and Valuation team contain some degree of strategy
Current Technology / Systems	<ul style="list-style-type: none"> Shire – a works maintenance system for managing maintenance service and producing job tickets. EROS - requisition 	<ul style="list-style-type: none"> EROS used for ordering 	<ul style="list-style-type: none"> Dataease - Property information system (Access based legacy system unsupported by the council) Cupid – works management / works ordering system, (legacy system unsupported by the 	Further work needed to establish the most effective systems for property management and maintenance.

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
	and stores management		<p>council)</p> <ul style="list-style-type: none"> • Evolution – Property and asset management system (legacy system unsupported by the council) • Exponaire – GIS base (supported by ICT) • Stark – smart meter monitoring system • Trend – Building Energy Management System • Autocad – design package and attribute data storage 	
Major Contracts inc renewal dates	<ul style="list-style-type: none"> • Sunlight - Linen management • Number of maintenance contracts exist for specialist equipment 	PFI deal - £13.5 million per year	<ul style="list-style-type: none"> • Maintenance contract with Amey until 31 August 2013. Annual contract value varies around the £1m mark. • Number of smaller contracts also exist for catering and cleaning services for schools. 	
Compliance & Contract Monitoring	Operational staff monitor individual contracts	Team's remit is to monitor the PFI contract	<ul style="list-style-type: none"> • The Strategic Asset Team includes a Contracts Commissioning post, which has taken on responsibility for contract compliance and is currently looking at the Council's approved contractors list in conjunction with the Council's corporate Procurement Officer. • Design and maintenance 	

<div style="text-align: center;"> Organisation <hr style="border: 0; border-top: 1px solid black;"/> Key Activity </div>	PCT	HHT	HC	COMMENTARY
			<p>manager meets with Amey weekly to review progress</p> <ul style="list-style-type: none"> • Prince 2 methodology adopted for project management (currently 4 trained staff in-house) • COPROP Benchmarking of building maintenance and estate management • 5-year rolling programme of condition surveys • DEC and EPC surveys - annual • Statutory compliance, e.g., asbestos and Legionella • GEM ISO 14002 compliance – externally audited 	

HEREFORDSHIRE SHARED SERVICES
PHASE 1 – Business Area Assessment for Transport

BA 07
V 0.7

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
<p>Summary of Shared Service Opportunity</p>	<p>Service Delivery Model:</p> <ul style="list-style-type: none"> • Transaction Processing: Opportunity to realise modest savings by sharing administrative tasks for pooled / leased cars (i.e. bookings, repairs and insurance claims, monitoring of mileage, vehicle Insurance, parking and speeding fines) to deliver economies of scale. • Centre of excellence: <ul style="list-style-type: none"> • Opportunity to realise economies of scale by combining Pooled and Lease car functions. Sharing would leverage the buying power of the three organisations and improve efficiency of pool car use and maintenance. • Marketing and publicity: HC marketing and publicity could be carried out by shared service resources. HC run promotions for initiatives such as road safety which requires generic marketing skills alongside transport specific knowledge. • Project management and commissioning: specialist projects and programmes led by HC (e.g. Traffic surveys) require specific project and programme management and financial management expertise. The non-specialist elements of project management could be provided by Shared Service. • Bid Management: HC transport make a number of funding bids each year, e.g. DfT road safety bids. Shared Service could handle or support bid management, allowing the transport team to focus on core activities. • In the longer term, a shared service may facilitate better integration of transport strategy across the three organisations, ensuring the needs of all citizens are met. • Contract Management: Management HHT's non-passenger transport PFI and HC's courier service could be moved to the contract management function. 			<ul style="list-style-type: none"> • Opportunity for HC to harness the procurement expertise of a centre of excellence to investigate using e-auctions. This approach has recently had some success at Worcester. • HC's Transport Service and co-ordination report produced in March 2009 the concluded that there were a number of barriers to integrating social care transport and home-to-school-transport with public transport • Cost benefit analysis should be carried out to see if savings can be made from combining HC courier service with non-passenger transport run by PCT and HTT. • HC Transport team contains 1 FTE focused on writing bids. • Analysis should be carried

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
	<p>Management of leased and pooled car contracts should also transfer to the shared service centre.</p> <ul style="list-style-type: none"> • Enabling Technology: Implementation of technology across the three partners is expected to improving efficiency of contract management functions and lighten the burden of contract administration. 			<p>out to compare lease car contract prices across the three organisations to identify potential savings.</p> <ul style="list-style-type: none"> • Within HC, School transport and social care transport are provided by CYPD and Adult Services respectively. These areas are currently out of scope but should be investigated in future work.
Issues / Constraints	<ul style="list-style-type: none"> • It is the opinion of the PCT that the lease car contract through Purchasing and Supply Agency (PASA) is very competitive. The PCT are very sceptical that a better deal could be done elsewhere. • PCT and HHT advise that non-passenger transport would be difficult to combine with HC courier service. Couriers need to be licensed and are required at surgeries and clinics at specific times of the day to collect medical samples. • HC already works with the PCT and HHT for sections of its transport strategy. Benefits gained by transferring transport strategy to a shared service may be minimal. 			
Organisation	PCT	HHT	HC	Totals
FTEs¹	6.8 (of which 1.8 is managing contract cars)	0.1	26.8 (of which 0.8 is managing leased cars contracts)	34.7
Pay costs	£165k	£3,513	£ 867k	£ 1,005k
Agency costs	N/A	N/A	N/A	N/A

¹ Please note that FTE and cost comparisons between the three partners is not appropriate owing to the different nature of the activities performed by each organisation.

Organisation	PCT	HHT	HC	COMMENTARY
Key Activity				
Direct costs	£ 13k	£ 18k	£ 54 k	£ 85k
Performance / Productivity	Not available	Not available	<ul style="list-style-type: none"> Principal Road Condition (% of network in need of further investigation) – Target 5%, performance 4% Non-Principal Road Condition (% of network in need of further investigation) – Target 8%, performance 11%. Bus Punctuality – Target 73%, performance 80% People killed or seriously injured in road traffic accidents – target 120, performance 115. 	
Location	<ul style="list-style-type: none"> Plough Lane Belmont acts as a hub for non-patient transport, with HHT and HC linking in to the site 	<ul style="list-style-type: none"> Brockington 	<ul style="list-style-type: none"> Plough Lane 3 accident investigation staff are based at Thorne with highways 	
Processes	<ul style="list-style-type: none"> Public transport contracts & community transport support Highways development control Transport policy & strategy Road safety Integrated transport Admin Manage contract cars 			S/M/TP (Service Delivery) : Monitoring Monitoring Monitoring Monitoring Monitoring Service Delivery Monitoring

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
	<ul style="list-style-type: none"> Stores management Delivering supplies Transport management 			<ul style="list-style-type: none"> Service Delivery Service Delivery Service Delivery
Technology / Systems	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> IMAFS – finance system shared with highways. 'Accession' - DFT route mapping system for route optimisation 	
Major Contracts inc renewal dates	<ul style="list-style-type: none"> Pool cars sourced through PASA (Purchasing and Supply Agency). 3 year car insurance contract sourced through Healthcare Purchasing Consortium 	<ul style="list-style-type: none"> Non-passenger transport PFI with Atkins. Three year contract with Patient First for Passenger transport (expires 2012) 	<ul style="list-style-type: none"> 73 contracts for operating bus routes with a total value of circa £2million Contracts representing 40% of the overall contract value were renewed this year saving ~10%. Contracts typically 3-5 years duration. Nine bus service contracts, with an annual value of £766,000, are "joint" contracts that cater for both the public service requirement and the needs of home-to-school transport. Non-passenger transport contract with Amey 	
Compliance & Contract Monitoring		0.1 FTE performs intelligent customer function	Team of 4 who tender and manage providers. 1 officer is focused on operational monitoring ie. timetable performance. Other work monitors customer feedback/complaints.	

PHASE 1 – Business Area Assessment for Internal Audit

BA 08
V0.6

Organisation	PCT	HHT	HC	COMMENTARY
<p>Key Activity</p> <p>Summary of Shared Service Opportunity</p>				<ul style="list-style-type: none"> Not explored fully with the Trusts. Collaboration underway between PCT and HC covering ICT Audit and Fraud Processes All partners buy in Statutory audit resources
<p>Issues / Constraints</p>	<p>Service Delivery Model: provision of Internal Audit services, whether sourced externally or delivered internally could be managed from within a shared services organisation. Opportunity exists around common audit practices, supporting areas such as Finance and ICT.</p> <ul style="list-style-type: none"> Centre of Excellence: the existing team, with appropriate resources and support for NHS Trust knowledge and best practice for clinical matters, could deliver a structured audit programme in line with the needs of the Trusts. Contract Management: leveraging external spend on audit services to benefit from any available economies of scale and/or best value procurements. Currently all 3 partners use the Audit Commission for External Audit Services. Potential saving of between 5 & 10% which could equate to £35k to £70k per annum. 			<ul style="list-style-type: none"> PCT and HT buy in Internal Audit resources
<p>Organisation & Resources in scope:</p>	PCT	HHT	HC	TOTALS
FTEs:			9.9	9.9
Pay Costs:			£ 297k	£ 297k
Agency Costs:			£ 97k	£ 92k
Direct Costs			£ 21K	

Organisation	PCT	HHT	HC	COMMENTARY
Key Activity				
Spend & Key Categories (Source: Ledger data)	£173,437 Extnl audit spend £ 78,172 internal audit	£163,272 Extnl. audit spend £77,846 Internal Audit	£362,053 Extnl audit spend (Includes £74K for statutory audit of Grant Claims)	External Audit: £ 624,625 (Excludes £74K for Statutory audit of grant claims) Internal Audit: £ 156,018
Internal Audit Plan Days	200	190	1,793	
Cost per internal audit plan day	£ 391	£ 410	£ 231	
Location	<ul style="list-style-type: none"> Co-ordinated from Plough Lane 	<ul style="list-style-type: none"> Co-ordinated from Trust HQ 	<ul style="list-style-type: none"> Based in Brockington 	<ul style="list-style-type: none">
Processes	<ul style="list-style-type: none"> Audit Services purchased under a Service Level Agreement, C & W Audit services report directly to Director of Resources who works with C&W Audit to develop the Annual Audit Plan and the three year plan. 	<ul style="list-style-type: none"> Annual Audit Plan developed by Audit Commission for external audit and RSM Bentley Jennison for Director of Finance for internal Audit 	<ul style="list-style-type: none"> Annual Risk based audit plan approved by Audit and Corporate Governance Committee covering: <ul style="list-style-type: none"> Fundamental Financial Systems Strategic Risks Operational Risks Corporate Governance Audit of IT Systems Fraud Consultancy & Advice Grant Certification Other Audit 	<ul style="list-style-type: none">
Technology / Systems	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> In-house bespoke database – TARDIS (Legacy) 	<ul style="list-style-type: none">
Compliance &	Contract monitored	Contract Monitored by	N/A	

Organisation	PCT	HHT	HC	COMMENTARY
Key Activity				
Contract Monitoring	against SLA by Director of Resources	Director of Finance		
Performance / Productivity Measurement	N/A	N/A	Member of CIPFA benchmarking club	
Major Contracts inc renewal dates	C&W Audit Services (Coventry & Warwick)	RSM Bentley Jennison Audit Commission	n/a	

HEREFORDSHIRE SHARED SERVICES
PHASE 1 – Business Area Assessment for Legal

BA 09
V0.3

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
<p>Summary of Shared Service Opportunity</p> <ul style="list-style-type: none"> • Service Delivery Model: provision of Legal services, whether sourced externally or delivered internally could be managed from within a shared services organisation. • Centre of Excellence: the existing team, supplemented by appropriate NHS Trust knowledge and best practice, could deliver services in line with the needs of the trusts. • Contract Management: leveraging current external spend on legal services to benefit from any available economies of scale and/or best value procurements 				<ul style="list-style-type: none"> •
<p>Issues / Constraints</p> <ul style="list-style-type: none"> • Trusts look towards specialist NHS knowledge as currently provided – could this be provided centrally at current costs? • Key areas of concern for HHT are : <ul style="list-style-type: none"> • Defending Medical Negligence • Dealing with Medical disciplinary cases 				<ul style="list-style-type: none"> • Feedback from HHT meetings is that the expertise is not currently vested within the Council
<p>Spend & Key Categories</p> <p>£157,230 legal fees</p>	<p>£67,620 legal fees</p>	<p>£182,399 legal fees</p> <p>£0.9m employment costs</p>		<ul style="list-style-type: none"> •
<p>Organisation & Resources in scope:</p> <p>PCT</p>			HC	TOTALS
<p>FTEs:</p>			21.57	21.57
<p>Pay Costs:</p>			£ 743k	£ 743k
<p>Agency Costs:</p>				

Organisation	PCT	HHT	HC	COMMENTARY
Key Activity				
Direct Costs:	£ 157k	£ 68k	£ 182k	£ 407
Location	•	•	<ul style="list-style-type: none"> • Brockington • Blackfriar's (Corp.Risk) • Town Hall 	•
Processes	•	•	•	•
Technology / Systems	•	•		•
Compliance & Contract Monitoring				
Performance / Productivity				
Major Contracts inc renewal dates				

HEREFORDSHIRE SHARED SERVICES

PHASE 1 – Business Area Assessment for Printing and Distribution

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
<p>Summary of Shared Service Opportunity</p>	<p>Service Delivery Model: Opportunity to realise modest savings by combining print and distribution spend across the three partners, both to leverage spend and to actively manage supply.</p> <ul style="list-style-type: none"> • Contract Management: Pooled contract management would enable more efficient sourcing of print and distribution services. Suppliers for special one-off reports such as annual reports would be sourced more effectively by a shared service. Savings are expected to be minimal as only limited time is currently spent managing print and distribution. <p>Enabling Technology: Principal opportunity is in enabling technology. Integrated procure to pay would underpin savings delivery by affording the opportunity to actively manage spend, directing purchase orders to the most cost effective supplier thus reducing /eliminating maverick spend. This would benefit all three organisations, particularly the PCT who typically use historical suppliers and rarely introduce new competition.</p> <p>Savings Delivery: Savings would accrue from best value procurement. Potential for further economies of scale by moving towards a single outsourced supplier for printing - at present the three partners use a variety of different suppliers at different costs.</p>			<ul style="list-style-type: none"> • Current HC policy is that all print jobs must go through Amey. • Maverick spend on print means that exact annual print volumes for HC and HHT are unknown. • No defined process within the PCT for printing of larger print jobs (e.g. annual reports). • Review of all print suppliers should be carried out by the partners to identify the most cost effective print options.
<p>Issues / Constraints</p>	<ul style="list-style-type: none"> • Sourcing: • HC is committed to working with Amey through joint venture and is unable to consider alternative suppliers. The contract with Amey may also constrain the level of savings that might be realised through a shared service model. • Changing suppliers would result in HHC and PCT incurring template set up costs for medical materials such as clinical forms. However, set up costs are expected to be 			

Organisation	PCT	HHT	HC	COMMENTARY
Key Activity	small compared to the potential savings.			
	•			
Organisation	PCT	HHT	HC	Totals
FTEs	0.05	0.05	0	0.10
Agency FTEs	0	0	0	0
Pay costs	£1,013	£1,012	N/A	£2,025
Direct costs	<ul style="list-style-type: none"> £381k (spend on print services) 	<ul style="list-style-type: none"> £177k (spend on print services) 	<ul style="list-style-type: none"> £651k (spend on print services) 	<ul style="list-style-type: none"> £1,209k
Volumes	98 print jobs contracted out per annum	96 jobs contracted out per annum	1,183 print jobs undertaken by Amey per annum	
Performance / Productivity	Not available	Not available	Not available	
Location	Plough lane	Hospital	Belmont	
Processes	Printing and distribution			
Technology / Systems	N/A	N/A	N/A	TP/ Service Delivery
Major Contracts inc renewal dates	<p>Nine suppliers were used between April 08 and March 09. Largest values were:</p> <ul style="list-style-type: none"> The Whitley Printing Co. - £33,684.81 DG2 Limited - £18847 ABC Print Hereford 	<p>Quotes are gathered from 3 suppliers:</p> <ul style="list-style-type: none"> Reprodux (Hereford) Springfield business papers (Birmingham) LG Davis 	Joint venture with Amey for print services	

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
	Ltd - £7846 Service does not use NHS Purchasing and Supply Agency (PASA) contracted suppliers as lead times tend to be too long (six weeks or more).	PASA is not used. HHT has a relationship with these three firms and hasn't investigated using PASA.		
Compliance & Contract Monitoring	Minimal contract management is required.	Minimal contract management is required.	Minimal contract management is required.	

PHASE 1 – Business Area Assessment for Comms

BA 11
V0.5

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
<p>Summary of Shared Service Opportunity</p>	<p>Service Delivery Model: There is a limited opportunity for integrating Communications between the 3 organisations. Communications is currently an integrated Team between HC and PCT. HHT have recently appointed a post for communications within HHT, managed by the Company Secretary. Further benefit could be obtained by widening the scope to include communications and marketing work done in isolation in the directorates of Herefordshire Council and service areas in the primary care trust.</p> <ul style="list-style-type: none"> • Centre of Excellence: There is an opportunity to develop an integrated approach to external communications across the three partners, ensuring that a consistent message is delivered to the general public • Enabling Technology: Consideration should also be given to integrating information services across the partners which in the short term, would allow for a one-stop-shop approach to answering F.O.I. queries across the partners. In the longer term, supported by ICT, the an integrated data warehouse could be developed to consolidate service provision information by citizen, made available to the appropriate professionals at point of service delivery. 			<ul style="list-style-type: none"> • Note: Information Services FTEs/ Costs/ processes, are not included in this BAA.
<p>Issues / Constraints</p>	<ul style="list-style-type: none"> • More detailed investigation would be required to understand the effort and expenditure spent on communications and marketing activities and the potential efficiencies. 			<ul style="list-style-type: none"> •
<p>Organisation & Resources in scope:</p>	<p>PCT</p>	<p>HHT</p>	<p>HC</p>	<p>TOTALS</p>
<p>FTEs:</p>	<p>Integrated Team (HC & PCT), 1 FTE funded by PCT</p>	<p>1.15</p>	<p>8.62 (including 1 FTE funded by PCT)</p>	<p>10.62</p>

Organisation	PCT	HHT	HC	COMMENTARY
Key Activity	(see HC)	£ 37k	£ 266k	£ 371k
Pay Costs:				
Agency Costs:	Nil			
Direct Costs:			£ 170k (see below)	£ 170k
Spend & Key Categories		N/A	<ul style="list-style-type: none"> £266K - Staff costs £150K - Publications Budget £20K – Total Service running costs 	<ul style="list-style-type: none"> HHT communications role recently appointed, to be managed by Company Secretary
Location	<ul style="list-style-type: none"> Brockington 	<ul style="list-style-type: none"> HHT HQ 	<ul style="list-style-type: none"> Brockington 	<ul style="list-style-type: none">
Processes	<ul style="list-style-type: none"> Press, publicity & marketing Internal Communications Design & Branding Administration support Service Management 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Press, publicity & marketing Member Communications Internal Communications Design & Branding Administration support Service Management (Head of Service) 	<ul style="list-style-type: none"> Comms are carrying out analysis with Finance to understand how much money is spent on design / branding with the potential to centralise this provision which also maintains design/brand standard.
Technology / Systems	MS Office	MS Office	MS Office	
Performance / Productivity	N/A	N/A	N/A	

Organisation	PCT	HHT	HC	COMMENTARY
Key Activity				
Major Contracts inc renewal dates	N/A	N/A	N/A	

PHASE 1 – Business Area Assessment for Emergency Planning

BA 12
V0.7

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
<p>Summary of Shared Service Opportunity</p> <p>Service Delivery Model; Emergency Planning and Business Continuity are currently shared between Herefordshire Council and the Primary Care Trust. Although the unit is under resourced, it is believed that there is an opportunity to extend the scope of the Unit to cover Emergency Planning and Business Continuity to include HHT</p> <p>Centre of Excellence: The EPU has been carrying out Joint Planning since December 2008. The role and scope of EPU is currently being reviewed by the Joint Management Team (JMT) and has recently moved to the Environment and Culture Directorate. With this new impetus, it should be possible to develop and deliver an integrated approach to Emergency Planning, incorporating HHT requirements</p>				<ul style="list-style-type: none">
<p>Issues / Constraints</p> <ul style="list-style-type: none"> Communications are an issue as Emergency Response management under current arrangements has 2 separate governance routes. Emergency Planning Unit is currently undergoing major review, so structure and organisation likely to change significantly 				<ul style="list-style-type: none">
Organisation & Resources in scope:	PCT	HHT	HC	TOTALS
FTEs:	1 <small>(Note: part of the HC integrated EP team, but funded by PCT)</small>	0.2 <small>(Band 7 Nurse)</small>	3.11	4.31
Pay Costs:	£ 20k <small>(PCT resource only employed part way through year, annual cost estimated at £42K p.a.)</small>	£ 7k	£ 115k <small>(HC employing additional resources for 09/10)</small>	£ 142k

Organisation	PCT	HHT	HC	COMMENTARY
Key Activity				
Agency Costs:	Nil			
Direct Costs:			£ 34k (see below)	£ 34k
Spend & Key Categories	£19,923 (Charge from HC for PCT Emergency Planning Officer, resource employed part way through year, annual cost estimated at £42K p.a.)	£7,025 (Calculated)	<ul style="list-style-type: none"> • Staff Costs - £115,220 • Agency Staff - £28 • Direct Costs - (Inc travel and subsistence) - £34,307 • Income - -£5,601 • Overheads - £119,854 Total £263,808 	£ 291k
Location	<ul style="list-style-type: none"> • Brockington 	<ul style="list-style-type: none"> • Trust HQ 	<ul style="list-style-type: none"> • Brockington 	<ul style="list-style-type: none"> •
Processes	<ul style="list-style-type: none"> • Developing new PCT contingency plans • Reviewing and updating PCT contingency plans • Exercising contingency plans • Research and remaining current with Central Government Policies • Liaison and engagement with Local Resilience forum partners and emergency services • Responding to and managing emergency incidents • Staff and Volunteer 	<ul style="list-style-type: none"> • Emergency Plans for annual review: • Emergency Equipment / rooms Checks • Testing of plans • Audits • Meetings Commitments • Conferences • Joint exercise Commitments (Under C.C. Act) • ERMA /Decision Loggist • Emergency Planning guidance Consultations 	<ul style="list-style-type: none"> • Developing new HC contingency plans • Reviewing and updating HC contingency plans • Exercising contingency plans • Research and remaining current with Central Government Policies • Liaison and engagement with Local Resilience forum partners and emergency services • Responding to and managing emergency incidents • Staff and Volunteer training • Business continuity training • Developing new business continuity plans for Council • Reviewing and updating business continuity plans for council 	<ul style="list-style-type: none"> •

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
	training <ul style="list-style-type: none"> • Business continuity training • Developing new business continuity plans for PCT • Reviewing and updating business continuity plans for PCT • Exercising business continuity plans • Managing Business Continuity incidents 	<ul style="list-style-type: none"> • Emergency Planning Development • Emergency Planning Developments – work needed in addition to basic list. • Business Continuity & Support 	<ul style="list-style-type: none"> • Exercising business continuity plans • Managing Business Continuity incidents 	
Technology / Systems	<ul style="list-style-type: none"> • MS Office 	<ul style="list-style-type: none"> • MS Office 	MS Office	<ul style="list-style-type: none"> •

Annex 3: Composition of transition and implementation support

Summary Days by Team Member

	Source (I or E)	Daily rate	Disc Rate	Est.days	Est Cost
Internal					
Transition Team					
SSTM	I	800		414	331,200
SSTMA	I	400	0%	180	72,000
SSLPA	I	400	0%	38	15,200
PMO	I	400		414	165,600
BA-FIN	I	400	0%	135	54,000
BA-HR	I	400	0%	135	54,000
BA-ICT	I	400	0%	171	68,400
BA-OTH	I	400	0%	150	60,000
TECH	I	400	0%	50	20,000
ODCM	I	400	0%	249	99,600
ADMIN	I	400		194	77,600
TOTAL				2,130	1,017,600
Procurement Team					
CM1	I	800		180	144,000
SRM	I	400		214	85,600
BA-P	I	400	0%	178	71,200
CONTM	I	400		220	88,000
CONTM-1	I	400	0%	136	54,400
CONTM-2	I	400	0%	136	54,400
TOTAL				1,064	497,600
BAU Team					
BAUM	I	400		50	20,000
ICT	I	400		413	165,200
HRA	I	400		299	119,600
FIN	I	400		50	20,000
TOTAL				812	324,800
GRAND TOTAL				4,006	1,840,000

Team Key:

Shared services transition manager
 Shared services transition manager (assistant/support)
 Shared services Lead Partner
 Project management office
 Business analyst - Finance
 Business analyst - HR
 Business analyst - ICT
 Business analyst - Other
 Technology specialist
 Organisation design and change management specialist
 Administrator

Commercial manager
 Supplier relationship manager
 Business analyst - Procurement
 Contracts manager
 Contracts manager (support)
 Contracts manager (support)

Business as usual manager
 ICT manager
 HR manager
 Finance manager

Summary Days by Team Member
Internal and External

	Source (I or E)	Daily rate	Disc Rate	Est.days	Est Cost	Est Cost: I	Est Cost: E
Transition Team							
1	I	800		414	331,200	331,200	0
2	E	1,715	0%	180	308,700	0	308,700
3	E	2,210	0%	38	83,980	0	83,980
4	I	400		414	165,600	165,600	0
5	E	1,416	0%	135	191,160	0	191,160
6	E	1,201	0%	135	162,135	0	162,135
7	E	1,715	0%	171	293,265	0	293,265
8	E	1,201	0%	150	180,150	0	180,150
9	E	800	0%	50	40,000	0	40,000
10	E	1,715	0%	249	427,035	0	427,035
11	I	400		194	77,600	77,600	0
				2,130	2,260,825	574,400	1,686,425
Procurement Team							
12	I	800		180	144,000	144,000	0
13	I	400		214	85,600	85,600	0
14	E	1,715	0%	178	305,270	0	305,270
15	I	400		220	88,000	88,000	0
16	E	1,416	0%	136	192,576	0	192,576
17	E	1,416	0%	136	192,576	0	192,576
				1,064	1,008,022	317,600	690,422
BAU Team							
18	I	400		50	20,000	20,000	0
19	I	400		413	165,200	165,200	0
20	I	400		299	119,600	119,600	0
21	I	400		50	20,000	20,000	0
				812	324,800	324,800	0
				4,006	3,593,647	1,216,800	2,376,847

Team Key:

Shared services transition manager
 Shared services transition manager (assistant/support)
 Shared services Lead Partner
 Project management office
 Business analyst - Finance
 Business analyst - HR
 Business analyst - ICT
 Business analyst - Other
 Technology specialist
 Organisation design and change management specialist
 Administrator

Commercial manager
 Supplier relationship manager
 Business analyst - Procurement
 Contracts manager
 Contracts manager (support)
 Contracts manager (support)

Business as usual manager
 ICT manager
 HR manager
 Finance manager



MEETING:	CABINET
DATE:	18 FEBRUARY 2010
TITLE OF REPORT:	INTEGRATED CORPORATE PERFORMANCE REPORT
PORTFOLIO AREA:	CORPORATE AND CUSTOMER SERVICES AND HUMAN RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To report performance for the period April-December 2009-10 against the Council's key indicators and associated projects and programmes in its Annual Operating Statement 2009-10.

Key Decision

This is not a Key Decision.

Recommendations

THAT Cabinet considers performance to the end of December 2009 and the measures being taken to address areas of under-performance.

Key Points Summary

- Continued improvement in performance, now ahead of target, for *'initial assessments for children's social care carried out within seven working days of referral'* (NI 59) and *'% of children becoming the subject of a Child Protection Plan for a second or subsequent time'* (NI 65).
- The Year 2 LAA target for reducing the number of *"people killed or seriously injured in road traffic accidents"* (NI 47) has been achieved.
- Improved results are reported for *'number of affordable homes delivered'* (NI 155) and *'households in temporary accommodation'* (NI 156), although targets may not be reached.
- Processing of planning applications (NI 157a-c) fell in the last quarter due to a backlog created by the new electronic Integrated Environment and Regeneration System (IERS). The backlog is now being reduced and performance in the final quarter should result in the targets being achieved.
- In respect of *'street cleanliness'* (NI 195 - litter, detritus and graffiti), although the results of the

second survey in the autumn show slight improvement, and the remedial action plan is reported as being delivered, the levels remain significantly higher than target.

- Latest figures in respect of sickness absence show a three month average of 2.75%, significantly better than target.
- The majority of LAA indicators are on track, and remedial action is being taken in respect of those that are not. In particular, action plans in respect of all *healthier communities and older people* indicators are now in place, and will have their full impact on performance in 2010-11, which is the final year of the current LAA.

Alternative Options

1. The Council's Performance Improvement Framework provides that Cabinet will formally review performance against the Council's Corporate Plan. There are therefore no alternative options.

Reasons for Recommendations

2. To ensure that progress against the Council's priorities, targets and commitments, as set out in the Corporate Plan 2008-11 and the Annual Operating Statement 2009-10, are understood. Further, to ensure that the reasons for important areas of actual or potential under-performance are understood and addressed.

Introduction and Background

3. The report is based on the most important indicators and the associated key actions set out in the Annual Operating Statement 2009-10. The indicators have been chosen for their ability to tell the story of performance in relation to the themes of the Herefordshire Community Strategy and the associated priorities of the Council:

children and young people (Council priority: *The best possible life for every child, safeguarding vulnerable children and improving educational attainment*);

healthier communities and older people (Council priority: *Reshaped health and social care*);

safer communities (Council priority: *Affordable housing to meet the needs of local people*);

stronger communities;

economic development and enterprise (Council priority: *The essential infrastructure for a successful economy, enabling sustainable prosperity for all*); and

environment.

In addition, indicators have been chosen to measure the most important aspects of performance in relation to the internal priority of

organisational improvement and greater efficiency.

4. For each of these themes, indicators have been grouped to show performance in relation to four points of focus:
 - citizens;

- services;
- partnership; and
- statutory.

5. There are three levels of reporting. Appendix 1 explains how judgements have been made for each level of report.

Level 1 (Appendix 2) is a high-level summary of performance produced by aggregating the judgements for individual indicators from the lower levels. The following four indicators are considered to be of particular importance:

NI 59 – initial assessments of children for social care within 7 days

NI 117 – 16-18 year olds not in education, employment or training

NI 136 – people supported to live independently through social services

Local – Average staff sickness (Full Time Equivalent)

If any one of these is rated **Red** or **Amber** in the more detailed level 2 and 3 reports, the part of the Level 1 report they relate to will be marked with a * to signify there is an issue.

Level 2 (Appendix 3) provides the level of performance for each individual indicator.

Level 3 (Appendices 4 A (i) – G (ii)) provides the full detail for each of the indicators. It shows targets, actual performance and trends. It also includes progress against action plans to improve performance. Each indicator has been rated in two ways:

its likelihood of achieving target; and

whether or not it is improving compared with last year (that is, its direction of travel).

The primary basis for rating is up to date performance data. Only in the absence of this (and only then if there is a good reason) are judgements based on progress in delivering planned actions that are intended to lead to improved performance.

6. The financial context for this report is set out in the budget monitoring report elsewhere on your agenda. Financial issues and risks have been taken into account in the performance issues discussed below.

Key Considerations

7. Assessed for each of the themes, the highlights are:

Children and young people

- *'Initial assessments for children's social care carried out within seven working days of referral'* (NI 59) and *'% of children becoming the subject of a Child Protection Plan for a second or subsequent time'* (NI 65) show continued improvements in performance, ahead of target, and are therefore now judged **Green**. This has been achieved in the context of the financial recovery plan.
- *'16-18 year olds not in education, employment or training (NEET)'* (NI 117) is currently better than last year, but is behind target. The latest outturn reflects performance in November and December. The annual outturn will be available for the next report, and is based on three months data for November-January.

- The **Red** ratings under statutory focus are, as before, those relating to exam and SATS results from summer 2009.

Health & Well-being

- The reported number of '*delayed hospital discharges*' (NI 131) has improved, as was forecast, as a result of the introduction of the proper protocol for reporting, and is now only slightly behind target.
- '*People supported to live independently through social services*' (NI 136) remains behind target but continues to improve. The wider measure of '*number of vulnerable people who are supported to maintain independent living*' (NI 142) is slightly ahead of target.
- '*Timeliness of social care assessments*' (NI132) and '*timeliness of social care packages*' (NI 133) worsened during the last quarter, and are behind target. As reported previously, this is the result of the necessary refocusing of activity to ensure the effective safeguarding of people at risk as the result of the closure of some residential care homes. Training is being undertaken throughout February and March to ensure that data recording is accurate and that cases with significant delays are revisited. Performance is expected to improve for both indicators, although it is unclear whether the target for NI 133 will be achieved.
- These improvements are taking place in the context of the actions being taken under financial recovery plan.

Safer Communities

- Unaudited figures for reducing the number of '*people killed or seriously injured in road traffic accidents*' (NI 47) show that the LAA target for the 2009 calendar year has been achieved. Although worse than last year, there was a significant fall in numbers in the final six months of the year that enabled the target to be achieved. If the performance of the last two years can be maintained in 2010, the final LAA target should be achieved.

Stronger Communities

- The '*number of affordable homes delivered*' (NI 155) has improved in the last quarter, but it seems unlikely that improvements expected in the final quarter will be sufficient to enable the target for 2009-10 to be achieved. However, in recognition of the impact of the recession on house building, the Government has agreed that the cumulative three year LAA target should be lowered.
- '*Households in temporary accommodation*' (NI 156) has fallen to 97, from 105 at the end of November. Although significantly behind target, planned activity in the final quarter could lead to the annual target being achieved.
- Interim results from the Active Place 3 Survey show that performance for '*use of libraries*' (NI 9) and '*engagement in the arts*' (NI 11) is below previous levels and unlikely to achieve targets. In respect of libraries, visits to libraries have increased. However, the indicator is derived from a national telephone survey of adults only and measures their use of the library service, which includes visits to libraries as well as other services, such as those available on-line.

Economic Development

- Performance in '*processing planning applications*' (NI157) has fallen in the last quarter,

with processing of 'other' applications (NI 157c) now behind target. Implementation of the new IERS System created an initial backlog which is now being rectified, to the extent that performance is expected to recover and attain the annual target.

- The VAT registration rate (NI 171) of 49.7 businesses per 10,000 population is significantly better than target. It should be noted, however, that there is a time-lag and the outturn is for 2008; future reported performance could be affected by the recession.
- The percentage of the 'working age population who are claiming out of work benefits' (NI 152) has risen and is high compared with last year, such that performance is significantly behind the LAA target. Various projects are being introduced to assist those receiving benefits to return to work.

Environment

- Levels of residual waste collected (NI 191) continue to be ahead of target. In respect of recycling and composting (NI 192), performance is now ahead of target, having been slightly behind during Quarter 1.
- The revised Joint Municipal Waste Management Strategy and implementation of the new waste collection contract in November are expected to deliver improved performance in respect of 'municipal waste land-filled' (NI 193). This is currently behind target and it is in the balance whether the improvement this year will be sufficient to achieve the target.
- As regards 'street cleanliness' (NI 195 - litter, detritus and graffiti), although the results of the second survey in the autumn show slight improvement, and the remedial action plan is reported as being delivered, the levels remain significantly higher than target.

Organisational Improvement and Greater efficiency

- Performance against all four of the indicators for Housing and Council Tax Benefits are ahead of target.
- The 'sickness absence' - three-month average to the end of November, was 2.7%, significantly better than the annual target of 5%.
- The target for 'avoidable contact' (NI 14) will not be achieved this year. The Customer Strategy has been developed to improve performance over the coming year.
- Performance in the first six months for the 'customer satisfaction' indicator is significantly behind target and worse than last year. The indicator currently only relates to some services within Environment and Culture and Planning and Transportation. The indicator is being redefined as part of the Joint Corporate Plan 2010-13 to include more services; again, improved performance is being addressed by the Customer Strategy.

8. The Local Area Agreement

Taking account of the changes described above, and that robust action plans are now being implemented for all LAA indicators, at the end of the third quarter, of the 35 LAA indicators:

- 22 are judged to be on course to achieve target (24 at quarter two);
- 7 are marginally behind target (3 at quarter two); and
- 6 are significantly behind target (8 at quarter two)

Community Impact

9. Delivering the Corporate Plan is central to achieving the positive impact the Council wishes to make in communities.

Financial Implications

10. None.

Legal Implications

11. None.

Risk Management

12. By highlighting progress against the Council's Corporate Plan and Annual operating Statement, including the major risks to achievement and how they are being mitigated, this report is an essential component of the Council's management of risks.

Consultees

13. None.

Appendices

Appendix 1	Key to the reports
Appendix 2	Level 1 Report
Appendix 3	Level 2 Report
Appendices 4 A (i) – G (ii)	Level 3 Report and progress against commitments
Appendix 5	Local Area Agreement (LAA)




Background Papers

14. None.

KEY TO PERFORMANCE REPORTS




LEVEL 1

PERFORMANCE AGAINST TARGETS AND ACTION PLANS	
4	Overall, performance is significantly better than target(s)
3	On track to achieve target(s)
2	Slightly behind target(s)
1	Significantly behind target(s)

DIRECTION OF TRAVEL	
	Overall, performance is better than for the same period last year
	Overall, performance is the same as for this period last year
	Overall, performance is behind that for the same period last year

Areas that are shaded  signify that no information is required for this report

LEVELS 2 & 3

PERFORMANCE AGAINST TARGETS AND ACTION PLANS	
4	Outturn is 10% or more above target
3	Outturn is above target by up to 10% or , where up to date performance data against target is not available for good reason, the action plan shows satisfactory progress
2	Outturn is below target, but within 5% or where up to date performance data against target is not available for good reason, the action plan shows inadequate progress
1	Outturn is 5% or more below target or no target has been set without good reason or there is no action plan
N.B. Where data is available this determines the judgement made for each indicator. Action plans are used to judge performance only where relevant data is unavailable.	
DIRECTION OF TRAVEL	
	Performance is better than for the same period last year
	Performance is the same as for this period last year
	Performance is behind that for the same period last year

	Citizen Focus		Service Focus		Partnership Focus & Organisational Health		Statutory Focus	
	Perf.	Direction of Travel	Perf.	Direction of Travel	Perf.	Direction of Travel	Perf.	Direction of Travel
Children and Young People	3	▲	4 (3 last quarter)	▲	3 *	▲	2 (1 last quarter)	▼
Healthier Communities and Older People	2 *	▼	2 (1 last quarter)		3 (2 last quarter)	▲		
Safer Communities	3	▼			2			
Stronger Communities	3		2 (3 last quarter)		3		3	
Economic Development and Enterprise	3	◀▶	1		2 (3 last quarter)		3	▼
Environment	2	▲	3	▲	3		2	▲
Organisational Improvement	1	▼	3	▲	2	▼	3 (2 last quarter)	

Within the judgement for Children and Young People - service focus - the key indicator of 'initial assessments for social care done within 7 days (NI 59)' is currently judged **Green**.

Within the judgement for Children and Young People - partnership focus - the key indicator of '16-18 year olds not in education, employment or training (NEET) (NI 117)' is judged **Red**.

Within the judgement for Healthier Communities and Older People - citizen focus - the key indicator of 'people supported to live independently through social services (NI 136)' is currently judged **Amber**.

Within the judgement for Organisational Improvement - statutory focus - the key indicator of 'average sickness (full-time equivalent) (3 month average)' is currently judged **Green**.

For explanation, see the covering Cabinet report.

	Citizen Focus	Perf.	DoT	Service Focus	Perf.	DoT	Partnership Focus & Organisational Health	Perf.	DoT	Statutory Focus	Perf.	DoT	
Children & Young People	NI 110 – participation in positive activities (LAA)	3		NI 59 – initial assessments for social care done within 7 days	4	▲	NI 117 – 16-18 year olds not in education, employment or training (LAA)	1	▲	NI 72 – achievement of 78+ points across Early Years Foundation Stage	1	▲	
	PAF / CF 63 – participation of looked after children in their reviews	2	▲	NI 65 - % of children becoming the subject of a Child Protection Plan for a second or subsequent time	4	▲	Local – % of actions implemented arising from quality audits programme	3		NI 73 – achievement in English & Maths at Key Stage 2 Level 4	1	▼	
	NI 57 - Children and young people's participation in high-quality PE and sport (LAA)	3					Local – permanent school exclusions, including looked after children	3	▲	NI 75 – 5 or more GCSEs at A*-C including English & Maths	1	▼	
							Local – number of Common Assessment Framework assessments completed across agencies	3		Local – achievement at Key Stage 1:	Reading	4	▼
						Maths			1		▲		
						Writing			2		▼		
										Local – looked after children attainment:	NI 99	1	▲
									NI 100		1	▼	
									NI 101		3	▼	
	Healthier Communities and Older people	NI 39 – alcohol harm related admission rates (LAA)	2	▼	NI 132 – timeliness of social care assessments	2	▼	NI 125 – achieving independence for older people through rehabilitation / intermediate care	4	▲			
NI 130 – social care clients receiving Self Directed Support (LAA)		1		NI 133 – timeliness of social care packages	1	▼	NI 131 – delayed transfers of care from hospitals	2					
NI 136 – people supported to live independently through social services (LAA)		2	▼				NI 142 – number of vulnerable people who are supported to maintain independent living (LAA)	3					
NI 138 – satisfaction of people over 65 with both home and neighbourhood		3											

	Citizen Focus	Perf.	DoT	Service Focus	Perf.	DoT	Partnership Focus & Organisational Health	Perf.	DoT	Statutory Focus	Perf.	DoT	
Safer Communities	NI 21 – dealing with concerns about anti-social behaviour (LAA)	3					NI 30 – priority & prolific offenders (LAA)	2					
	NI 47 – people killed or seriously injured in road traffic accidents (LAA)	3	▼				NI 40 – drug users in effective treatment (LAA)	2					
Stronger Communities	NI 3 – civic participation	3		NI 9 – use of libraries (LAA)	1		NI 4 – influencing decisions in the locality (LAA)	3		NI 1 - % of people who believe people from different backgrounds get on well together (LAA)	3		
	NI 6 – participation in regular volunteering	3		NI 11 – engagement in the arts (LAA)	2					NI 156 – households in temporary accommodation (LAA)	1	▲	
	NI 155 – number of affordable homes delivered (LAA)	2	▼							Local – access to services (LAA)	a) Local shop	3	
											b) Advice provision	3	
											c) Public transport facility	3	
											d) Cultural / recreational facility	3	
Economic Development and Enterprise	NI 171 – VAT registration rate (LAA)	4		NI 182 – business satisfaction with regulatory services	1		NI 152 – working age people on out of work benefits (LAA)	1		NI 157 – processing of planning applications	a) Major	4	▲
	NI 168 – condition of principal roads (LAA)	3	▼			NI 163 – working age people qualified to Level 2 or higher (LAA)	3		b) Minor		3	▼	
	NI 169 – condition of non-principal roads (LAA)	3	▲			NI 178 – bus services running on time (LAA)	3		c) Other		1	▼	

	Citizen Focus		Perf.	DoT	Service Focus		Perf.	DoT	Partnership Focus & Organisational Health		Perf.	DoT	Statutory Focus		Perf.	DoT
Environment	NI 191 – residual household waste per household (LAA)		3	▲	NI 192 – % of household waste sent for reuse, recycling and composting		3	▲	NI 197 – improved biodiversity (LAA)		3		NI 186 – CO ₂ emissions (LAA)		3	
	NI 195 – improved street cleanliness and environmental cleanliness	a) Litter	1	◀▶									NI 193 - % of municipal waste landfilled		1	▲
		b) Detritus	1	▼												
		c) Graffiti	1	▼												
		d) Fly-posting	3	▼												
	NI 196 – improved street cleanliness and environmental cleanliness – fly tipping		1	◀▶												
Organisational Improvement	Local - customer satisfaction		1	▼	NI 14 – avoidable contact		1		NI 179 – Value for Money		2		Local – the % of Local Authority employees with a disability		3	
					NI 180 - the number of changes of circumstances which affect customers' Housing Benefit / Council Tax Benefit entitlement within the year		4		Local – average sickness (full-time equivalent) (3 month average)		4		Local - the % of Local Authority employees from ethnic minority communities		3	
					NI 181 – time taken to process Housing Benefit / Council Tax Benefit claims and change events		3	▲	Local - number of vacant posts as a proportion of the approved establishment		1					
					Local - % of Council Tax collected (BVPI 9)		3	▲	Local - Use of Resources		2					
					Local - % of non-domestic rates collected (BVPI 10)		3	▲	Local - % of key performance indicators improving on last year		1					

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Indicator	Tolerance	2007-08		2008-09		Target	Latest Performance	Judgement		Direction of Travel		Commentary
		2007-08	2008-09	September	December			September	December			
Citizen												
NI 110 – participation in positive activities (LAA)	Bigger is better		86.20%		91.00%			3	3	n/a	n/a	No Data - Collected as part of the TellUs Survey. The Tellus Survey is currently underway in schools and early results will be available in January 2010. All tasks are on target. Additional promotion of summer activities took place to raise the take up.
PAF / CF 63 – participation of looked after children in their reviews	Bigger is better	98%	93%		100%	96.6% (September) Next update available January		2	2	▲	▲	90.6% at the same period last year. Participation of Looked After Children in their reviews remains a top priority for the directorate and all efforts are made to ensure that children & young people feel able to participate. There is a wide programme of participation events held to increase the confidence of looked after children. All tasks are on target. Training has been undertaken by some looked after young people to enable them to chair their own reviews and thus increase participation.
NI 57 - Children and young people's participation in high-quality PE and sport (LAA)	Bigger is better		95%		95%			3	3	n/a	n/a	All tasks are on target.
Service												
NI 59 – initial assessments for social care done within 7 days	Bigger is better	57.4	37.4		65%	73.8% (December)		3	4	▲	▲	46.4% at the same period last year. Performance continues to improve in this area as a result of targeted improvement work with the team focusing on managing timeliness and quality. All tasks are on target.
NI 65 - % of children becoming the subject of a Child Protection Plan for a second or subsequent time	Smaller is better	14	15		13%	7.3% (December)		3	4	▲	▲	This is good performance in line with the target set for the year. Managers continue to monitor the situation. All tasks are on target.
Partnership												
NI 117 – 16-18 year olds not in education, employment or training (NEET) (LAA)	Smaller is better	5.4	5.9		5%	5.8% (December)		3	1	n/a	▲	Additional NEET provision has been made available via the Children's Trust Economic Well-Being Group. This is as well as the current E2E (Entry to Employment) and 4U provision. The economic situation continues to affect the number of jobs and work-based learning places that are available so the NEET percentage is not as low as target, although lower than last year.
Local – % of actions implemented arising from quality audits programme	Bigger is better				70% (to December) 80% (year-end)	72% (December)		3	3	n/a	n/a	The programme of quality audits has commenced and the Quality Assurance Panel is in place and operating. Learning and actions are being implemented as a result of audit work. All tasks are on target. The audit programme is continuing to be implemented in line with the agreed programme. A themed audit of children in care will commence in January 2010.
Local – permanent school exclusions including looked after children	Smaller is better		18		14	6 (December)		4	3	▲	▲	There have been six permanent exclusions in total so far in the first term of the new academic year. All tasks are on target.

Indicator	Tolerance			Target	Latest Performance	Judgement		Direction of Travel		Commentary
		2007-08	2008-09			September	December	September	December	
Local – number of Common Assessment Framework (CAF) assessments completed across agencies	Bigger is better			300	302 (December)	2	3	n/a	n/a	The number of CAFs is increasing. More people are being trained and more support is available through the CAF support team (Vanguard team). We anticipate further increases as the process embeds. All tasks are on target.
Statutory										
NI 72 – achievement of 78+ points across Early Years Foundation Stage (EYFS)	Bigger is better	47.9% (2006-07 academic year)	42% (2007-08 academic year)	53% (2008-09 academic year)	45.8% (2008-09 academic year)	1	1	▲	▲	Although not achieving target, this outturn represents a significant improvement on the 2008 outturn which was 42%. The predominance of boys in the EYFS continues to impact on results with 37% of boys achieving the improvement target compared with 54.9% of girls. All tasks are on target. Work is focused on maintaining the improvement in performance evidenced in the 2009 results.
NI 73 – achievement in English & Maths at Key Stage 2 Level 4	Bigger is better		72% (2007-08 academic year)	78% (2008-09 academic year)	70.8% (2008-09 academic year)	1	1	▼	▼	This outturn for 2009 has not achieved target and is 2% below the 2008 outturn. Results in Key Stage 2 have shown a continuing downward trend over the last three years and targeted work is underway in schools. All tasks are on target. The current round of target setting in schools is a particular focus to address performance in this area.
NI 75 – 5 or more GCSEs at A*-C including English & Maths	Bigger is better	51.7% (2006-07 academic year)	53% (2007-08 academic year)	60% (2008-09 academic year)	52.9% (2008-09 academic year)	1	1	▼	▼	Results will be validated in January 2010. All tasks are on target.
Local – achievement at Key Stage 1:										
Reading at Level 2B+	Bigger is better		69.90%	59%	68.90%	4	4	▼	▼	Activity in the coming year to improve results include the use of "Teaching Talking" beyond the Foundations Stage to improve oracy; delivery and monitoring of training in phases 5 and 6 of Letters and Sounds to ensure early foundations are built on; and implementing the Year of Reading.
Maths at level 2B+	Bigger is better		70.80%	79%	71.80%	1	1	▲	▲	
Writing at level 2B+	Bigger is better		53.90%	54%	52.90%	2	2	▼	▼	
Local – looked after children attainment (2008-09 academic years):										
NI 99 - reaching level 4 in English at Key Stage 2	Bigger is better	14.3%	25.0%	50%	28.60%	1	1	▲	▲	Two children out of the total cohort of seven achieved Level 4 in English at Key Stage 2. Two other children in the cohort were disapplied. All tasks are on target.
NI 100 - reaching level 4 in maths at Key Stage 2	Bigger is better	14.3%	50.0%	50%	42.90%	1	1	▼	▼	Three children out of the total cohort of seven achieved Level 4 in Maths at Key Stage 2. Two other children in the cohort were disapplied. All tasks are on target.
NI 101 - achieving 5 A*-C GCSEs (or equivalent) at Key Stage 4 (including English and maths)	Bigger is better	15.0%	28.6%	20%	21.40%	3	3	▼	▼	Three children out of the total cohort of 14 achieved 5 A*-C GCSEs including English and Maths. A further three children in the cohort achieved 5 A*-C without English and Maths. All tasks are on target.

Our key commitments for 2009-11	What are the key actions we will take to achieve these commitments?	Completion date	Cabinet lead	Strategic lead	Latest Commentary	Date Provided
Maintain and enhance educational standards at all Key Stages	Implement Primary Strategy	Mar-11	ICT, Education and Achievement	Director of Children's Services	Ongoing implementation of Primary and Secondary Strategies. School Improvement Partners have worked with schools during the autumn term to assist and challenge with target setting for individual pupils - targets will be submitted to the DCSF at the end of January 2010. Targeted support continues to be provided to those schools causing concern, with regular updates to the Cabinet Member and Directorate Leadership Team.	December
	Implement Secondary Strategy					
	Analyse and interpret individual school and pupil related performance data					
	Identify and provide targeted support for schools with low or declining performance					
Implement the Primary Capital Strategy, Building Schools for the Future (BSF) and the Academy	Implement vision and strategy for primary capital build, including bidding fund for primary schools	Mar-11	ICT, Education and Achievement	Director of Children's Services	Herefordshire's Primary Strategy for change has been approved by the DCSF. The directorate is now working with Leominster Infants and Juniors on the new build and potential amalgamation of the two schools. Consultation with the public is now underway. Herefordshire Academy has received planning permission. The new build of the Minster is progressing to budget and timescale. BSF preparation will involve a presentation by Partnership for Schools to JMT and Cabinet.	November
	Develop resources and strategy for change and begin to implement BSF					
	Complete major rebuilds					
Conclude Children's Centres and Extended Schools roll out plans	Implement Children's Centres roll-out plan	Mar-10	Children's Services	Director of Children's Services	100% of Children's Centres have now been designated.	December
	Implement Extended Schools roll-out plan	Mar-10			90% of schools are now providing the full core offer of extended services in line with the Training Development Agency target.	December
Embed Children's Trust arrangements, including commissioning and contract monitoring arrangements	Establish working arrangements with the joint commissioning unit as part of the arrangements with the PCT	Dec-09	Children's Services	Director of Children's Services	Now that appointments have been made to the integrated commissioning directorate, C&YPD is working with it to develop specific ways of working, including the role of the Children's Trust. The CYP Plan is being managed through the regular work of the Children's Trust and C&YPD. Commissioning Framework under development through the DCSF Commissioning Support Programme, focusing in the first instance on teenage pregnancy.	December
	Deliver and monitor implementation of Children and Young People's Delivery Plan	Mar-11				
Continue to work with schools and communities to secure the best possible sustainable school education for the future	Development and implementation of strategy to continue providing the county's children with high educational standards	Mar-11	ICT, Education and Achievement	Director of Children's Services	The recommendations of the Schools Task Force which were the subject of widespread consultation were approved by Cabinet in November 2009. School clusters are now working to look at options for the future.	November

Indicator	Tolerance	Performance		Target	Latest Performance	Judgement		Direction of Travel		Commentary
		2007-08	2008-09			September	December	September	December	
Citizen										
NI 39 – alcohol harm related admission rates (LAA)	Smaller is better	1,199		1,237	671.9 (to September)	2	2	▼	▼	Performance continues to be in excess of target. Projected outturn 1343.8
NI 130 – social care clients receiving Self Directed Support (LAA)	Bigger is better			21%	5.82% (December)	1	1	n/a	n/a	We have recognised we need to improve our current performance against this target, and now have a clear 'Personalisation programme' in place and Programme Manager, and are moving forward on several initiatives e.g. the council are currently upgrading the Resource Allocation System in line with other councils, to be completed Q4 2009/10. A project around external brokerage has been started supported by the Joint Improvement Partnership to increase the level of personal budgets - to report by Q4 2009/10 - the Department of Health have stated that the 30 per cent target (2011-12) is unlikely to be reached if we are not achieving more than 10 per cent by the end of 2009/10 - we believe we are on track to reach this - despite struggling to hit 10 per cent target by the end of the year.
NI 136 – people supported to live independently through social services (LAA)	Bigger is better		3,635	3,140 (December) 3,763 (year-end)	2,986 (December)	1	2	▼	▼	This is a Key indicator for the Council, but has not previously recorded, to date, all the activity going on, particularly with respect to the work commissioned from the 3rd sector for older people. We anticipate that Herefordshire performance will be comparable with other local authorities once the data is refined. We recognise this however as a priority target and we will be ensuring we have a clear understanding of our performance in this area, that we are capturing all relevant data and where necessary building on the improvement plans we have in place.
NI 138 – satisfaction of people over 65 with both home and neighbourhood	Bigger is better		89% (2008)	90% (Autumn 2010 survey)		1	3	n/a	n/a	England average for this indicator is 84. The Older People's Strategy has been updated and delivery is on track. Development of new strategy has been delayed to ensure it has clear synergy with work of the Health and Well-being partnership. Strategy is still on target to be developed by February 2010.
Service										
NI 132 – timeliness of social care assessments	Bigger is better		86.80%	91%	86% (to December)	3	2	▼	▼	We are building on the analysis following the last report which identified where assessments maybe being delayed, and some errors in how assessments have been recorded. This has now been shared with service managers - and additional training is being undertaken in February and March to ensure data recording is accurate; alongside file reviews, managers are also being asked to revisit those cases with significant delays and put action plans in place. This is happening in February and March.
NI 133 – timeliness of social care packages	Bigger is better		88.20%	92%	51% (December)	3	1	▼	▼	
Partnership										

Indicator	Tolerance	Performance		Target	Latest Performance	Judgement		Direction of Travel		Commentary
		2007-08	2008-09			September	December	September	December	
NI 125 – achieving independence for older people through rehabilitation / intermediate care	Bigger is better		71.8	75	91.28% (to September)	4	4	▲	▲	The figures presented in this report are the preliminary findings to August 2009 and require further validation. The figures are based on those patients, discharged from the acute hospital into the 3 Intermediate care units – Hillside, Kington and Ledbury.
NI 131 – delayed transfers of care from hospitals	Smaller is better		41	27	27.2 (December)	1	2	n/a	n/a	Reconfiguration of delayed discharge management in community hospitals has led to a significant improvement in this indicator, since quarter one when performance was 36.
NI 142 – number of vulnerable people who are supported to maintain independent living (LAA)	Bigger is better		90.5	97.41%	97.7% (to September)	1	3	n/a	n/a	September score has now been verified by DCLG. The next tranche of data will be available in February. The previous regime for this indicator nationally is coming to an end and a new set up is being developed and implemented. Now entering into a period of change and development of new projects. A business plan is currently being developed to make recommendations on the supporting people programme. Four pilots are currently being delivered that will cease between March-July 2010. A supporting people commissioning plan is also being undertaken.
Statutory										

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Our key commitments for 2009-11	What are the key actions we will take to achieve these commitments?	Completion date	Cabinet lead	Strategic lead	Latest Commentary	Date Provided
Implementation of the joint health and social care commissioning plans to secure modern, more effective services for people with mental health problems, learning	Joint Commissioning Strategy	Dec-09	Older People & Social Care Adults	Director of Integrated Commissioning	Mental Health work almost completed. Draft Older People Strategy ready for consultation. Dementia update report complete, future action identified.	November
	Agree with providers how to re-model services to promote independence and personalised care	Mar-10				
Ensure information, advice and advocacy is available to all	Ensure all promotional materials are available in easy-read formats	Jun-09	Older People & Social Care Adults	Director of Integrated Commissioning	Completed	September
	Extend advocacy services to all users and carers	Sep-09			Completed	September
Ensure self-directed care and personalised services are offered to the majority of service users	Raise awareness of the self-directed care option and sustain support	Apr-09	Older People & Social Care Adults	Director of Integrated Commissioning	Event held in May in Hereford City centre.	September
	Establish programme board for the "Putting People First" programme	From April 2009			The personalisation agenda is moving forward with projects in Telecare, Personal Health Budgets, E catalogue and external brokerage. This includes identification of an appropriate RAS system and framework integration. These are all currently on target hence a green risk rating.	November
	Implement the seven stream of the "Putting People First" programme	Continuing to 2011			All workstreams have begun	September
Increase range and availability of support to carers	Re-commission support services for carers	Jun-09	Older People & Social Care Adults	Director of Integrated Commissioning	Completed	June
	Extend individual budgets to carers	Mar-10			Completed	September

Our key commitments for 2009-11	What are the key actions we will take to achieve these commitments?	Completion date	Cabinet lead	Strategic lead	Latest Commentary	Date Provided
All services enable people to be treated with dignity and respect	To ensure appropriate training is delivered to all social care and health staff and is included within safeguarding training	Apr-09	Older People & Social Care Adults	Director of Integrated Commissioning	This has now begun	November
	Ensure minimum standards in relation to dignity and respect included within contracts - Covered within QAF standards, with plans to include within future contracting arrangements	Apr-09			Completed	April
Integrate health and social care across front-line services / Extend integration of health and social care across front-line	Roll-out integrated health and social care model to all localities	Sep-09	Older People & Social Care Adults	Director of Integrated Commissioning	Transition board will now be taking this work forward.	November
	Roll-out of integrated intermediate care service	Apr-09			Completed	September
Develop and implement Older People's Strategy	Consultation document issued	Aug-09	Older People & Social Care Adults	Director of Integrated Commissioning	Previous strategy has been updated and delivery on track. Development of new strategy has been delayed to ensure it has clear synergy with the work of the Health and Well-being partnership. Strategy is still on target to be approved by Feb-2010.	October
	Strategy approved	Feb-10				

Indicator	Tolerance	Performance		Target	Latest Performance	Judgement		Direction of Travel		Commentary
		2007-08	2008-09	2009-10		September	December	September	December	
Citizen										
NI 21 – dealing with concerns about anti-social behaviour (proxy – incidents of: anti-social behaviour – including speeding - criminal damage, alcohol-related disorder, alcohol-related violent crime) (LAA)	Bigger is better		25.40%	30.4% (2010-11)		3	3	n/a	n/a	Progress against action plan maintained
NI 47 – people killed or seriously injured in road traffic accidents (calendar year) (LAA)	Smaller is better	133 (3 year average)	115 (3 year average)	116 (3 year average of 114)	105 (final)	3	3	▼	▼	Although higher than in 2008, performance in 2009 has resulted in a 3-year average of 110.33, better than the LAA target for the year. All tasks in Transportation have either been completed or are progressing as planned towards achievement of the final LAA target, which is for a 6.5% improvement on the current 3-year average.
Service										
No indicators										
Partnership										
NI 30 – priority & prolific offenders (PPOs) (LAA)	??			21% (79)	12 PPOs currently in custody (to November)	3	3	n/a	n/a	Detailed analysis available for next report.
NI 40 – drug users in effective treatment (LAA)	Bigger is better			541	528 (to June)	2	2	n/a	n/a	Harm Reduction Strategy complete with Hidden Harm Conference held in december. Mercia Net training commenced. Review of drug treatment services also completed in December.
Statutory										
No indicators										

Our key commitments for 2009-11	What are the key actions we will take to achieve these commitments?	Completion date	Cabinet lead	Strategic lead	Latest Commentary	Date Provided
Continue to work with our partners through the implementation of <i>Herefordshire Community Safety and Drugs Partnership (HCSDP)</i>	Action plans with targets to be produced annually	Plan for 2009 by June 2009. Strategy to be fully implemented by 2011	Environment and Strategic Housing	Director of Environment & Culture	Action plan being delivered	November
The number of adults killed or seriously injured in road accidents to be reduced	<p>Delivery of programme of road safety schemes, education, training and publicity in accordance with the Local Transport Plan (LTP) strategy</p> <p>Work in partnership with Highways Agency to ensure they contribute to meeting Herefordshire casualty reduction targets by action on trunk roads</p> <p>Working with the Safer Roads Partnership to review speed camera sites and ensure focused speed enforcement campaign in the County</p>	Mar-11	Highways & Transportation	Director of Regeneration	<p>The Planning and Transportation's Road Safety and Accident Investigation and Prevention teams continue to lead on a wide range of education, training and publicity and engineering measures to address road traffic accidents.</p> <p>Delivery Plan progress:</p> <ul style="list-style-type: none"> - List of high priority sites produced and from this the majority of the investigations and the implementation of works (as covered by the other two supporting actions) have been carried out and as such all actions are on target / have been met, with no foreseen problems. 	November
Complete and publish draft <i>Hidden harm</i> strategy.	Draft Hidden Harm Strategy to be completed Launch of strategy	Sep-09 Nov-09	Economic Development & Community	Director of Regeneration	Strategy completed Launch from 1st December	November November

Indicator	Tolerance	Performance		Target	Latest Performance	Judgement		Direction of Travel		Commentary
		2007-08	2008-09	2009-10		September	December	September	December	
Citizen										
NI 3 – civic participation	Bigger is better		16%	17.5% (2010-11)		3	3	n/a	n/a	Information is obtained from the Place Survey which is carried out every two years. The next survey will be carried out in autumn 2010 and data available in 2011, the target for which is 17.5%. Work is progressing in line with the action plan.
NI 6 – participation in regular volunteering (LAA)	Bigger is better		29%	32.5% (2010-11)		3	3	n/a	n/a	Information is obtained from the Place Survey which is carried out every two years. The next survey will be carried out in autumn 2010 and data available in 2011, the target for which is 32.5%. Work is progressing in line with the action plan.
NI 155 – number of affordable homes delivered (LAA)	Bigger is better	141	208	165 (to December) 220 (year-end)	164 (December)	1	2	▼	▼	Although outturn has improved markedly since quarter 2 and planned activity is taking place, the target is still unlikely to be achieved due to the lack of funding available from the HCA (and the increased demand in requests), developers' reluctance to build on sites and the refusal of planning applications delaying start on site.
Service										
NI 9 – use of libraries (LAA)	Bigger is better		47.90%	51% (2010-11)	42.8% (to November)	3	1	n/a	n/a	Although work is progressing in line with the action plan, interim results from the Active People 3 Survey have recently been released and show that performance has fallen from previous levels and is not on track to achieve the LAA targets. Over the period visits to libraries have increased. However, this indicator is derived from a national telephone survey of adults only and measures their use of the library service, which includes visits to libraries as well as other services, such as those available on-line.
NI 11 – engagement in the arts (LAA)	Bigger is better		46.40%	49.5% (2010-11)	46.3% (to November)	3	2	n/a	n/a	A meeting with the IDeA LAA Improvement Strategy and Culture and Sport Strategic Dialogues in January will look at the delivery plans, and consider how improvements can be made.
Partnership										
NI 4 – influencing decisions in the locality (LAA)	Bigger is better		28.80%	32.3% (2010-11)		3	3	n/a	n/a	Information is obtained from the Place Survey which is carried out every two years. The next survey will be carried out in autumn 2010 and data available in 2011, the target for which is 32.3%. Work is progressing in line with the action plan.
Statutory										
NI 1 - % of people who believe people from different backgrounds get on well together (LAA)	Bigger is better		75.90%	79.4% (2010-11)		3	3	n/a	n/a	Information is obtained from the Place Survey which is carried out every two years. The next survey will be carried out in autumn 2010 and data available in 2011, the target for which is 79.4%. Work is progressing in line with the action plan.
NI 156 – households in temporary accommodation (LAA)	Smaller is better	109	98	82	97 (December)	1	1	▼	▲	The position in respect of NI 156 has significantly improved since the end of Quarter 2 and if current activity continues then it is envisaged that the target will be met. However, despite the improvement, performance to the end of December was still more than 5% behind target.

Indicator	Tolerance	Performance		Target	Latest Performance	Judgement		Direction of Travel		Commentary	
		2007-08	2008-09	2009-10		September	December	September	December		
Local – % of people who find access to services difficult: Local shop Advice provision Public transport facility Cultural / recreational facility	Smaller is better									Information is obtained from the Place Survey which is carried out every two years. The next survey will be carried out in autumn 2010 and data available in 2011. Work is progressing in line with the action plan.	
a) Local shop			12%	11% (2010-11)		3	3	n/a	n/a		
b) Advice provision				18%	16% (2010-11)		3	3	n/a		n/a
c) Public transport facility				21%	21% (2010-11)		3	3	n/a		n/a
d) Cultural / recreational facility				21%	19% (2010-11)		3	3	n/a		n/a

Our key commitments for 2009-11	What are the key actions we will take to achieve these commitments?	Completion date	Cabinet lead	Strategic lead	Latest Commentary	Date Provided
Ledbury Centre to incorporate a range of services and functions in one facility	Access funding for the scheme	2009	Economic Development & Community Services	Director of Environment & Culture	Action plan proceeding on target.	November
	Undertake and complete work	2010				
Relocate the library in Hereford to a new multi-use customer and cultural centre on the Edgar Street Grid	Establish best site for the Centre	2009-12	Economic Development & Community Services	Director of Environment & Culture	Linked to the ESG development.	November
	Raise funding for the scheme					
	Relocate to new site					
Development of phases 3, 4 & 5 of Aylestone Park	Continue development of Aylestone Park – including playing areas, pitches and bowling green. Timing dependent on approval of planning applications	Throughout 2009-11	Economic Development & Community Services	Director of Environment & Culture	No progress. Funding reliant on section 106 monies.	November
Improve street cleanliness	Implement outcomes of review of street cleanliness	Apr-09	Environment & Strategic Housing	Director of Environment & Culture	Action plan being delivered to programme	November
Improve performance on processing major planning applications within 13 weeks	Review progress and performance regularly, ensuring that planning applications are processed in a timely manner.	Monthly	Environment and Strategic Housing	Director of Regeneration	Problems with the new IERS System are being worked through with Civica and measures are in place to mitigate the backlog in Planning Applications that this is causing. All other actions are taking place as planned, with a decision on the proposed changes being worked through the Constitutional Review Group to be reported to Council for acceptance later this year	November
Support Herefordshire's involvement in London 2012 Olympic and Paralympics Games	Attract a country / sport team to use Hereford as a pre-game training camp	2010-2012	Economic Development & Community Services	Director of Regeneration	A partner working group, led by Cllr. Blackshaw, has developed a programme of activities that is being delivered to target.	October
	Promote opportunities for the county, its residents, organisations and businesses to benefit from London 2012					
	Support 2010 Blind Football World Championships					

Our key commitments for 2009-11	What are the key actions we will take to achieve these commitments?	Completion date	Cabinet lead	Strategic lead	Latest Commentary	Date Provided
Establish a talent identification programme in preparation for the 2012 Olympic and Paralympics Games	Work with schools and clubs to identify talent leading up to the 2012 Olympic Games in London	Sep-09	Economic Development & Community Services	Director of Regeneration	Work in progress through School Sports Partnerships.	October
Ensure continuing build of affordable houses	<p>Ensure affordable homes are included within plans and proposals</p> <p>Work with developers to secure affordable homes</p>	To 2011	Environment & Strategic Housing	Director of Regeneration	Every effort is being made to meet the target despite the economic downturn. At this stage we are not likely to be seeking a further re-negotiation of LAA NI 155 which has a target 09/10 of 220 and 275 for 10/11. We have received confirmation that the targets and outturns are cumulative and over achievement against target in 08/09 can count towards the final LAA outturn for the 3 years.	November

Indicator	Tolerance	Performance		Target	Latest Performance	Judgement		Direction of Travel		Commentary
		2007-08	2008-09	2009-10		September	December	September	December	
Citizen										
NI 171 – VAT registration rate per 10,000 resident population aged 16+ (LAA)	Bigger is better		59.2	41.8 (2009)	49.7	3	4	n/a	▼	All activity is taking place as planned- Summary of activity: Creation of business start up grants and business growth grants. - Business Booster Grant now operational, approved 9 grants. - Training Voucher all available funding has been committed. Retail Support in Rural areas and Market Towns - Skillsmart providing retail analysis of Market Towns (AWM Funded), is an ongoing programme of events. Conversion of existing businesses to VAT and PAYE registration. - Holding VAT registration roadshows with HMRC, have held four this calendar year and a future four between January and March, targeted at those businesses not VAT registered who could make the change. - Funding secured for roadshows, first round of these has been held, a small scale review of these will occur before the next round of four roadshows. These will publicise benefits of VAT and PAYE registration.
NI 168 – condition of principal roads (proxy: delivery against highway maintenance plan) (LAA)	Smaller is better	6%	4%	5%	5% (final)	3	3	▼	▼	Action plan being delivered to programme to impact on next year's target.
NI 169 – condition of non-principal roads (proxy: delivery against highway maintenance plan) (LAA)	Smaller is better	11%	11%	9%	9% (final)	3	3	▲	▲	Action plan being delivered to programme to impact on next year's target.
Service										
NI 182 – business satisfaction with regulatory services	Bigger is better			72%	56% (to September)	1	1	n/a	n/a	Performance for the second quarter has fallen, and the reasons behind this are being investigated. It is possible that this year's target may not be reached.
Partnership										
NI 152 – working age people on out of work benefits (LAA)	Smaller is better	8.90%	8.80%	8.6% (2009-10) 8.4% (2010-11)	10.2% (to September)	3	1	n/a	▼	Progress against actions: ESF funded project 'Engage' focused at getting long term unemployed from priority wards into employment - now operational. Future Jobs Fund money now secured and recruitment of the Employment Placement Officer is underway. The project will run from Oct 09 until March 2010. This project is also aimed at getting worklessness young individuals back into work. Successfully secured ABG funding to encourage individuals to access support and advice. Connections to Opportunities funding is now secured. This will enable a further project aimed at lone parents and those on incapacity benefits- to be progressed. £50K Connecting Communities funding has also been secured which will enable further tailored provision in the Newton Farm and Golden Post areas of South Wye. Follow-n Future Jobs Funding could be applied for if the initial project is successful. This would run to 2011 and permit more beneficiaries.

Indicator	Tolerance	Performance		Target	Latest Performance	Judgement		Direction of Travel		Commentary
		2007-08	2008-09	2009-10		September	December	September	December	
NI 163 – working age people qualified to Level 2 or higher (LAA)	Bigger is better	69.8% (2007)		74.8% (2009)		3	3	n/a	n/a	All action plan activity is taking place and on target.
NI 178 – bus services running on time (LAA)	Bigger is better	67%	80%	80%		3	3	n/a	n/a	Annual Data, data next due March 2010. All planned activity has either been achieved or is on target to date.
Statutory										
NI 157 – processing of planning applications: Major applications within 13 weeks Minor applications within 8 weeks Other applications within 8 weeks	Bigger is better									Performance for the last quarter of the year has fallen to 68%, 54% and 61% respectively, attributable to the introduction of Civica. A variety of measures have been introduced to ensure that this does not continue into the 4th Quarter. All other activity is progressing as planned to date. Performance for the 9 months to December last year was 69%, 72% and 86% respectively. These problems are due to the implementation of the new IERS System and there is currently a 3/4 week backlog of applications. Measures however are in place to combat this and system problems are being worked through with Civica.
a) Major applications within 13 weeks			73%	60%	71% (December)	4	4	▲	▲	
b) Minor applications within 8 weeks			73%	65%	67% (December)	4	3	▲	▼	
c) Other applications within 8 weeks			87%	80%	74% (December)	3	1	▼	▼	

Our key commitments for 2009-11	What are the key actions we will take to achieve these commitments?	Completion date	Cabinet lead	Strategic lead	Latest Commentary	Date Provided
Increase the number of bus journeys made compared to 2005-06	Secure planning permission for first permanent park and ride site and deliver it	Dec-09	Highways and Transportation	Director of Regeneration	Transportation Team is seeking to optimise the subsidised services to benefit most users, up to a point at which they may become commercially viable. The team is undertaking a comprehensive programme of publicity to ensure that users and potential users have high quality information on the available services.	November
	Secure continued operation by extension or re-tendering of bus service contracts to provide high quality services, with low floor buses, to attract and retain passengers	March 2010 & 2011				
	Provide comprehensive public transport information	March 2010 & 2011				
Construction of Model Farm employment units commenced and first units completed	Infrastructure servicing completed for first phase	Dec-09	Economic Development & Community Services	Director of Regeneration	The Live/Work developers funding application to Homes and Communities Agency has been rejected. Other methods of securing funding are currently being explored. This element of the scheme is currently on hold, but this does not affect the wider Model Farm proposals. The tender for infrastructure design and planning was awarded to Arup in September, contract now under way.	November
Construction of Retail Quarter commenced; on and off-site infrastructure commenced	Flood mitigation construction commenced	Apr-09	Highways & Transportation; Economic Development & Community Services	Director of Regeneration	The Flood Alleviation Scheme initial procurement stages have commenced and work is underway to progress the Link Road Scheme in accordance with the ESG programme, subject to planning permission and funding. A workshop has been held to consider the design solutions required for the down-grading of the Inner Ring Road. Compensation packages for businesses are being considered on an individual basis.	November
	Delivery of vacant possession to developer	Jan-10				
	Link Road construction commenced	Mar-10				
	Commencement on site	Mar-10				
	Flood Mitigation constructed	Apr-10				
	Link Road constructed	Apr-11				
Completion of new cattle market	Completion of new livestock market	Dec-10	Resources	Director of Regeneration	Lease agreed with Stanhope and planning permission has been granted. Flood alleviation work has been commissioned and contracts have been issued.	November
Completion of new cattle market	Closure of old livestock market and transfer of market to new site	Dec-10				

Our key commitments for 2009-11	What are the key actions we will take to achieve these commitments?	Completion date	Cabinet lead	Strategic lead	Latest Commentary	Date Provided
Units on Rotherwas Futures phase 2 completed and site infrastructure in place	First units complete, with phase 2 to be complete by target date.	Apr-10	Economic Development & Community Services	Director of Regeneration	Planning permission for Phase 2 secured in October 2009.	December
Implement the inward investment strategy	Strategy Launch	Oct-09	Economic Development & Community Services	Director of Regeneration	An outline Strategy has been produced and circulated around the Economic Development Partnership Group.	December
	Marketing Campaign	Dec-09				
	Implementation of new initiatives	Mar-10				
An action plan to combat the effects of the downturn and prepare for recovery	Create interactive web advice service for businesses promoted through local media and business agencies	May-09	Economic Development & Community Services	Director of Regeneration	The claimant figures have stabilised, though are still approximately 100% increase compared with the same time last year. Most affected are young people. New programmes have started to address unemployment, with support from external ABG funding. Revised action plan to be produced in November and presented to Herefordshire Partnership Board.	November
	Instigate a 20 day payment limit for invoices, and work towards a continuous reduction	Jun-09				
	Establish funding programme to support business growth and training voucher scheme	Jul-09				
	Instigate a scheme to address "retail blight" to address empty shops within Hereford and the market towns	Jul-09				

Our key commitments for 2009-11	What are the key actions we will take to achieve these commitments?	Completion date	Cabinet lead	Strategic lead	Latest Commentary	Date Provided
Extend the refurbishment of Hereford City Centre	Complete the extended refurbishment work in city centre	Jul-09	Economic Development & Community Services	Director of Regeneration	Widemarsh Street enhancement project is progressing well and on track for commencement on site in January 2010. Consultation has taken place with stakeholders and Cabinet Members regarding the design, which is currently out to tender. The public consultation has been finalised with support for redevelopment of the butter market. The cost for redevelopment range from £6m to £14m depending on the scale of improvement to the building. No funding is currently identified. However, some EU funds allocated to urban / city projects is currently underspending by 70% so there is potential that this funding stream will become available to second tier cities like Hereford. This should be confirmed by the end of the calendar year (50% match funding required).	November

Indicator	Tolerance	Performance		Target	Latest Performance	Judgement		Direction of Travel		Commentary
		2007-08	2008-09	2009-10		September	December	September	December	
Citizen										
NI 191 – residual household waste per household (LAA)	Smaller is better	852kg	690.01kg	480kg (November) 720kg (LAA: 759kg) (year-end)	451.93kg (November)	3	3	▲	▲	470.63kg at same period last year. The new recycling service started on 2nd November 2009. With the introduction of a countywide kerbside service (previously only 75% had a service) giving residents a wider range of materials they could recycle (glass bottles and jars, cardboard and cartons for the first time) and larger capacity (a 240 litre or 120 litre bin or 4 recycling sacks per fortnight rather than a small blue box or a single recycling sack) the plan was to increase the amount of recyclate collected. In the first 4 weeks of November 2009, 1223 tonnes of recyclate was collected compared to 414 tonnes Focsa collected in November 2008. Consequently, the recycling tonnage collected by Focsa has nearly trebled when compared to the service of last year. The level of collected residual waste has dropped as a result of this and hence less household waste has been sent to landfill. A true picture of how the service is running will be available in the New Year. The action plan to deliver this target is being delivered according to programme.
NI 195 – improved street cleanliness and environmental cleanliness:	Smaller is better									
a) Litter			5%	5%	7% (December)	1	1	◀▶	◀▶	Action plan being delivered to programme.
b) Detritus			13%	9%	11% (December)	1	1	▼	▼	
c) Graffiti			1%	1%	3% (December)	1	1	▼	▼	
d) Fly-posting			1%	1%	1% (December)	3	3	▼	▼	
NI 196 – improved street cleanliness and environmental cleanliness – fly tipping	Smaller is better		Grade 2	Grade 1	Grade 2 (to November)	1	1	◀▶	◀▶	
Service										
NI 192 – % of household waste sent for reuse, recycling and composting	Bigger is better		33.24%	35%	35.88% (November)	3	3	▲	▲	34.25% at same period last year. The action plan to deliver this target is being delivered to programme.
Partnership										
NI 197 – improved biodiversity (LAA)	Bigger is better	29%		38.30%		3	3	n/a	n/a	Annual Data, data next due March 2010. The majority of activity is either complete or in progress. Contingencies have been planned should this not be sufficient to meet the target.
Statutory										
NI 186 – CO ₂ emissions (LAA)	Smaller is better			13.1% (2010)		3	3	n/a	n/a	The action plan to deliver this target is being delivered to programme.
NI 193 - % of municipal waste landfilled	Smaller is better		64.61%	55.44%	61.54% (November)	1	1	▲	▲	63.42% at same period last year. It is unlikely that the target will be achieved.

Our key commitments for 2009-11	What are the key actions we will take to achieve	Completion date	Cabinet lead	Strategic lead	Latest Commentary	Date Provided
Reduce the amount of municipal waste land filled	Implement new waste collection contract	Nov-09	Environment & Strategic Housing	Director of Environment & Culture	The new recycling service started on 2nd November 2009. With the introduction of a countywide kerbside service (previously only 75% had a service) giving residents a wider range of materials they could recycle (glass bottles and jars, cardboard and cartons for the first time) and larger capacity (a 240 litre or 120 litre bin or 4 recycling sacks per fortnight rather than a small blue box or a single recycling sack) the plan was to increase the amount of recyclate collected. In the first 4 weeks of November 2009, 1223 tonnes of recyclate was collected compared to 414 tonnes Focsa collected in November 2008. Consequently, the recycling tonnage collected by Focsa has nearly trebled when compared to the service of last year. The level of collected residual waste has dropped as a result of this and hence less household waste has been sent to landfill. Whilst these figures are very encouraging it should be noted that this is the start of the new service and residents had been storing some recyclate prior to the start of the service. However, this is clearly a step change in recycling performance.	November
	Implement the new Joint Municipal Waste Management Strategy	Mar-11				
Reduce the amount of residual waste per household and increase the proportion of waste recycled or composted	Implement new waste collection contract	Nov-09	Environment & Strategic Housing	Director of Environment & Culture		
	Implement the new Joint Municipal Waste Management Strategy	Mar-11				
Reduce Council's CO ₂ emissions	Report to go to JMT	Sep-09	Environment & Strategic Housing	Director of Environment & Culture	Following consideration by Environment Scrutiny, a paper is being prepared for consideration by JMT in January.	November

Indicator	Tolerance	Performance		Target	Latest Performance	Judgement		Direction of Travel		Commentary
		2007-08	2008-09			September	December	September	December	
Citizen										
Local - customer satisfaction	Bigger is better		78%	83%	59.6% (September)	1	1	▼	▼	The latest performance covers the first 6 months of the year.
Service										
NI 14 – avoidable contact	Smaller is better		27.18%	24%	37.48% (December)	1	1	n/a	▼	The target will not be achieved. The Customer Strategy will address issues with performance but will not begin to impact until the new financial year.
NI 180 - the number of changes of circumstances which affect customers' Housing Benefit / Council Tax Benefit entitlement within the year	Bigger is better			1,090 (December) 1,682 (year-end)	1,261 (December)	4	4	n/a	n/a	
NI 181 – time taken to process Housing Benefit / Council Tax Benefit claims and change events	Smaller is better		14.36 days	14 days	12.98 days (December)	2	3	▲	▲	16.69 days at the same time last year.
Local - % of Council Tax collected (BVPI 9)	Bigger is better	98.62%	98.54%	86.7% (to December) 98.8% (year-end)	87.01% (December)	3	3	▲	▲	49.36% at the same time last year.
Local - % of non-domestic rates collected (BVPI 10)	Bigger is better	98.63%	98.57%	88.1% (December) 98.7% (year-end)	88.5% (December)	3	3	▲	▲	52.6% at the same time last year.
Partnership										
NI 179 – Value for Money	Bigger is better		£5.134m	£5m		2	2	n/a	n/a	Action plan being implemented; VfM Strategy being developed for end of 2010.
Local – average sickness (full-time equivalent)	Smaller is better			5%	2.7% (rolling 3-month average to November)	2	4	n/a	n/a	
Local - number of vacant posts as a proportion of the approved establishment	Smaller is better			4.50%		2	1	n/a	n/a	The vacant posts being monitored are 'live' vacancies rather than all vacancies. The new, more robust, indicator is due to show all vacancies as a % of establishment, but further work is required through Resources on validating the establishment for all directorates before this can be reported. Until the establishment is confirmed no progress can be made.
Local - Use of Resources	Bigger is better		3	3		2	2	n/a	n/a	Outturn relevant to this financial year will not be available until Autumn 2010. The Use of Resources action plan is being amended to reflect the outcome of the 2009 assessment.
Local - % of key performance indicators improving on last year	Bigger is better		57%	60%	45%	1	1	▼	▼	18 of 40 indicators are currently showing improvement.

Indicator	Tolerance	Performance		Target	Latest Performance	Judgement		Direction of Travel		Commentary
		2007-08	2008-09			September	December	September	December	
Statutory										
Local – the % of Local Authority employees with a disability	Bigger is better			4%		2	3	n/a	n/a	Indicator now defined and target set. Activity includes running focus groups to inform further options for recruiting and retaining staff from diverse backgrounds; encouraging completion of ethnicity and disability data on the HR system; and recruitment continuing with a focus on harder to reach groups. The outturn for this indicator will be provided from the Employee Opinion Survey, the results of which are due in February.
Local - the % of Local Authority employees from ethnic minority communities	Bigger is better			3%		2	3	n/a	n/a	Indicator now defined and target set. Activity includes running focus groups to inform further options for recruiting and retaining staff from diverse backgrounds; encouraging completion of ethnicity and disability data on the HR system; and recruitment continuing with a focus on harder to reach groups. The outturn for this indicator will be provided from the Employee Opinion Survey, the results of which are due in February.

Our key commitments for 2009-11	What are the key actions we will take to achieve these commitments?	Completion date	Cabinet lead	Strategic lead	Latest Commentary	Date Provided
Deal positively with all complaints alleging discriminatory treatment	All complaints of a discriminatory nature to result in further action	Throughout 2009-11	Corporate Customer Services & HR	Deputy Chief Executive	All complaints/request for support/ advice, result in further action. To date (Oct 09) we have dealt with 41 incidents of which 18 were internal (Council related).	October
Rationalisation of Council and PCT estates	Implement Accommodation Strategy	Mar-11	Resources	Director of Resources	The Joint Strategy was approved by Cabinet and the PCT Board in December 2009. In the same month, the purchase of the Plough Lane site was completed. Work has commenced to deliver the new joint corporate HQ, which will make it possible to reduce the number of offices in Hereford from 11 to one.	December
Ensure the Council is fully prepared to meet the challenges in the Local Government & Public Involvement in Health Act 2007	Improved PACT and other consultation mechanisms in place	Mar-09	Corporate Customer Services & HR	Deputy Chief Executive	A community engagement strategy has been developed.	December
	Implement changes identified by review of constitution	Mar-11				
Reach the 'excellence' rating of the equality standard for local government	Continue to roll out EIA process		Corporate Customer Services & HR	Deputy Chief Executive	The Equality Standard for local government has been superseded by the Equality Framework and we have been assessed as "Achieving" in February 2009. We have until 2011 to progress to the next level which is "Excellent".	October
	Ensure up-to-date equality schemes in place:				It has been agreed by Cabinet, JMT and the PCT board (OCT 2009) to pursue joint equality policies. A new Single Equality Policy will be in place by April 2010.	October
	- Disability scheme	Oct-09			Work to review this scheme will start in January 2010.	October
	- Gender scheme	Apr-10				
	Complete roll-out of impact assessment plans across all directorates	Mar-11			Most of the Council directorates are continuing with a programme of Impact needs assessments which has become embedded within the service planning process, however, there is concern that within PCT service areas there is little or no evidence of Impact assessments taking place and there is no organised/managed or monitored programme of assessments in place.	October
Continue to achieve improvements in data quality	Continue to implement data quality action plan – score 3 or equivalent in 2009-10	Mar-10	Corporate Customer Services & HR	Deputy Chief Executive	Improved progress in September which was reported to JMT and Cabinet, with more tasks being completed. Still behind schedule overall.	October

Our key commitments for 2009-11	What are the key actions we will take to achieve these commitments?	Completion date	Cabinet lead	Strategic lead	Latest Commentary	Date Provided
Improve the effectiveness of services	Shared Services Review	Aug-09	Corporate Customer Services & HR	Deputy Chief Executive	The business case was completed August 2009 and the recommendations approved by JMT and HHT Board. These recommendation included a soft market sounding exercise that is due to be completed October 2009 and a procurement quick wins review. The outcome of the Soft Market Test will be taken to Cabinet, PCT and HHT Board during November and December 2009 and will include recommended options for approval. A supporting communications plan includes member / non-executive director briefings, staff briefings and Trade Union briefings.	October
Improve customer service	Customer Strategy	To be confirmed	Corporate Customer Services & HR	Deputy Chief Executive	The Customer Strategy was signed off by JMT in October 2009. The strategy covers the period 2009-2011. Progress against the action plan is currently on schedule. For example, the first major milestone is the creation of a Corporate Customer Insight Unit in January 2010.	October

	Performance	Target	Latest Performance	Judgement		Direction of Travel		Commentary
	2008-09	2009-10		September	December	September	December	
STRONGER COMMUNITIES								
NI 1 - % of people who believe people from different backgrounds get on well together	75.90%	79.4% (2010-11)		3	3	n/a	n/a	Information is obtained from the Place Survey which is carried out every two years. The next survey will be carried out in autumn 2010 and data available in 2011, the target for which is 79.4%. Work is progressing in line with the action plan.
NI 4 - % of people who feel they can influence decisions in their locality	28.80%	32.3% (2010-11)		3	3	n/a	n/a	Information is obtained from the Place Survey which is carried out every two years. The next survey will be carried out in autumn 2010 and data available in 2011, the target for which is 32.3%. Work is progressing in line with the action plan.
NI 6 - Participation of regular volunteering	29%	32.5% (2010-11)		3	3	n/a	n/a	Information is obtained from the Place Survey which is carried out every two years. The next survey will be carried out in autumn 2010 and data available in 2011, the target for which is 32.5%. Work is progressing in line with the action plan.
NI 9 - Use of Libraries	47.90%	51% (2010-11)	42.8% (November)	3	1	n/a	n/a	Although work is progressing in line with the action plan, interim results from the Active People 3 Survey have recently been released and show that performance has fallen from previous levels and is not on track to achieve the LAA targets. Over the period visits to libraries have increased. However, this indicator is derived from a national telephone survey of adults only and measures their use of the library service, which includes visits to libraries as well as other services, such as those available on-line.
<i>Local Indicator</i> NI 11 - Engagement in the Arts	46.40%	49.5% (2010-11)	46.3% (November)	3	2	n/a	n/a	A meeting with the IDeA LAA Improvement Strategy and Culture and Sport Strategic Dialogues in January will look at the delivery plans, and consider how improvements can be made.
NI 155 - Number of affordable homes delivered (gross)	208	165 (December) 220 (year-end)	164 (December)	1	2	▼	▼	Although outturn has improved markedly since quarter 2 and planned activity is taking place, the target is still unlikely to be achieved due to the lack of funding available from the HCA (and the increased demand in requests), developers reluctance to build out sites and the refusal of planning applications delaying start on site.
NI 156 - Number of households in temporary accommodation	98	82	97 (December)	1	1	▼	▲	The position in respect of NI 156 has significantly improved since the end of Quarter 2 and if current activity continues then it is envisaged that the target will be met. However, despite the improvement, performance to the end of December was still more than 5% behind target.
<i>Local Indicator</i> Respondents who find it difficult to access the following services Reduction of 1% of respondents to the survey who find it difficult to access a local shop (including those which provide post office and bank or cashpoint services) by March 2011; Baseline – 12% reported in March 2009 Reduction of 1% in 2010 and a further 1% in 2011 of respondents to the survey who find it difficult to access Solicitor, Citizens Advice Bureau or other advice services; Baseline – 18% reported in March 2009. Maintain levels of those who find it difficult to access public transport facility e.g. bus stop, train station; Baseline – 21% reported in March 2009. Reduction in 1% in 2010 and a further 1% in 2011 of respondents to the survey who find it difficult to access cultural / recreational facility e.g. theatre, cinema; Baseline 21% reported in March 2009	12% 18% 21% 21%	11% 17% 21% 20%		3	3	n/a	n/a	Information is obtained from the Place Survey which is carried out every two years. The next survey will be carried out in autumn 2010 and data available in 2011. Work is progressing in line with the action plan.

CS

	Performance	Target	Latest Performance	Judgement		Direction of Travel		Commentary
	2008-09	2009-10		September	December	September	December	
<p><i>Local Indicator</i> Ensure Herefordshire has a Major Incident Recovery Plan for the Local Authority that is fit for major events Publication of the plan - 2008 Exercising and ratification - 2009 Review the plan - 2010 Aim for and encourage all Herefordshire's Partners have a business/service continuity plan, including for those services that have been outsourced, by 2011 Aim for all Herefordshire Council contracts to include a statement that ensures Business Continuity plans are in place, particularly those supporting or have an input to critical services, for all new contracts and be lined up for those up for renewal.</p>		see indicator on left		3	3	n/a	n/a	<p>Recovery The updated Emergency Response and Recovery guidance has been published, and the Recovery Plan is being reviewed against this. The Recovery Co-ordinating Group (RCG) was convened in June, following the significant fire at Skymark in Leominster, and assessed the impacts of the fire and considered the support to be given.</p> <p>Business Continuity The Joint Emergency Planning Unit (JEPU) has made progress in updating the Business Continuity Plans (BCPs), focusing on staffing and resource issues since the outbreak of the current Swine Flu pandemic to ensure that critical services could continue to function. A pool of non-critical staff has been identified to augment services suffering from a shortfall. The Crisis Management Team has met on three occasions to manage major IT outages, with other incidents being managed at a service level. The JEPU offers support and guidance in writing BCPs to businesses and voluntary organisations. As part of the upgrade of BCPs, services will identify external providers of critical services or resources and ensure that BCPs are in place.</p>
SAFER COMMUNITIES								
<p>CS NI 19 - Rate of proven re-offending by young people</p>	126	117		3	3	n/a	n/a	All tasks are on target. Data for this indicator is available annually and will not be reported until June.
<p>NI 21 - Dealing with local concerns about anti-social behaviour and crime issues by the local council and police</p>	25.40%	30.4% (2010-11)		3	3	n/a	n/a	Progress against action plan maintained
<p>NI 30 - Re-offending of prolific and priority offenders</p>		21% (79)	12 PPOs currently in custody (to November)	3	3	n/a	n/a	Detailed analysis available for next report.
<p>NI 40 - Drug users in effective treatment</p>		541	528 (to June)	3	2	n/a	n/a	Harm Reduction Strategy complete with Hidden Harm Conference held in december. Mercia Net training commenced. Review of drug treatment services also completed in December.
<p>NI 47 - People killed or seriously injured</p>	115 (3 year average)	116 (year-end) (3 year average of 114)	105 (final)	3	3	▼	▼	Although higher than in 2008, performance in 2009 has resulted in a 3-year average of 110.33, better than the LAA target for the year. All tasks in Transportation have either been completed or are progressing as planned, towards achievement of the final LAA target, which is for a 6.5% improvement on the current 3-year average.
HEALTH AND WELL-BEING								
<p><i>Local Indicator</i> NI 39 - Alcohol harm related hospital admission rates</p>	1,249	1,237	671.9 (to September)	2	2	▼	▼	Performance continues to be in excess of target. Projected outturn 1343.8
<p>NI 121 - Mortality rate from all circulatory diseases at ages under 75</p>	63.8	57	Data not available until the end of 2010	1	2	n/a	n/a	An action plan has been developed and is being implemented. Outturn for 2009 is not available until late 2010. Performance in the previous years was 61.53 (2006), 58.14 (2007) and 65.59 (2008). In order to achieve the final LAA target, performance in 2010 needs to be 56. Projected performance for this indicator is that outturn will be around 50 by the end of the year.

	Performance	Target	Latest	Judgement		Direction of Travel		Commentary
	2008-09	2009-10	Performance	September	December	September	December	
NI 123 - Stopping smoking	355	814.8	231 (to September)	1	1	▼	▼	An action plan has been developed and is being implemented. Performance should improve in the final quarter and be closer to target, with further activity planned for 2010 which should lead to achievement of the final LAA target.
NI 130 - Social Care clients receiving Self Directed Support (Direct Payments and Individual Budgets)		21%	5.82% (December)	1	1	n/a	n/a	We have recognised we need to improve our current performance against this target, and now have a clear 'Personalisation programme' in place and Programme Manager, and are moving forward on several initiatives e.g. the council are currently upgrading the Resource Allocation System in line with other councils, to be completed Q4 2009/10. A project around external brokerage has been started supported by the Joint Improvement Partnership to increase the level of personal budgets - to report by Q4 2009/10 - the Department of Health have stated that the 30 per cent target (2011-12) is unlikely to be reached if we are not achieving more than 10 per cent by the end of 2009/10 - we believe we are on track to reach this - despite struggling to hit 10 per cent target by the end of the year.
NI 135 - Carers receiving needs assessment or review and a specific carer's service, or advice and information	13.30%	20.40%	12.5% (November)	1	2	n/a	n/a	Audit indicated a failure in the IT system connected with NI 135; they noted that the system was failing to recognise joint assessments being made. This has now been rectified and therefore the next quarters results should see improved performance in relation to this indicator.
NI 136 - People supported to live independently through social services (all ages)	3,635	3,140 (to December) 3,763 (year-end)	2,986 (to December)	1	2	▼	▼	This is a Key indicator for the Council, but has not previously recorded, to date, all the activity going on, particularly with respect to the work commissioned from the 3rd sector for older people. We anticipate that Herefordshire performance will be comparable with other local authorities once the data is refined. We recognise this however as a priority target and we will be ensuring we have a clear understanding of our performance in this area, that we are capturing all relevant data and where necessary building on the improvement plans we have in place.
NI 142 - Number of vulnerable people who are supported to maintain independent living	90.5	97.41%	97.7% (to September)	1	3	▲	▲	September score has now been verified by DCLG. The next tranche of data will be available in February. The previous regime for this indicator nationally is coming to an end and a new set up is being developed and implemented. Now entering into a period of change and development of new projects. A business plan is currently being developed to make recommendations on the supporting people programme. Four pilots are currently being delivered that will cease between March-July 2010. A supporting people commissioning plan is also being undertaken.
CHILDREN AND YOUNG PEOPLE								
NI 51 - Effectiveness of child and adolescent mental health (CAMHS) services	15	16	Data available annually - February 2010	3	3	n/a	n/a	The CAMHS mapping exercise will be undertaken in February 2010 from which the outturn for this indicator will be derived
NI 56 - Obesity among primary school age children in Year 6	16.20%	15.70%	12.85%	2	4	n/a	n/a	
NI 57 - Children and young people's participation in high-quality PE and sport	95%	95%	Data available annually	3	3	n/a	n/a	All tasks are on target.
Local Indicator NI 110 - Young People's participation in positive activities	86.20%	91.00%		3	3	n/a	n/a	No Data - Collected as part of the TellUs Survey. The Tellus Survey is currently underway in schools and early results will be available in January 2010. All tasks are on target. Additional promotion of summer activities took place to raise the take up.

	Performance	Target	Latest Performance	Judgement		Direction of Travel		Commentary
	2008-09	2009-10		September	December	September	December	
NI 117 - 16-18 years old who are not in education, training or employment (NEET)	5.90%	5%	5.8% (December)	3	1	n/a	▲	Additional NEET provision has been made available via the Children's Trust Economic Well-Being Group. This is as well as the current E2E and 4U provision. The economic situation continues to affect the number of jobs and work-based learning places that are available so the NEET percentage is not as low as target, although lower than last year.
ECONOMIC DEVELOPMENT								
NI 152 - Working age people on out of work benefits	8.80%	8.4% (2010-11)	10.2% (to September)	3	1	n/a	▼	Progress against actions: ESF funded project 'Engage' focused at getting long term unemployed from priority wards into employment - now operational. Future Jobs Fund money now secured and recruitment of the Employment Placement Officer is underway. The project will run from Oct 09 until March 2010. This project is also aimed at getting worklessness young individuals back into work. Successfully secured ABG funding to encourage individuals to access support and advice. Connections to Opportunities funding is now secured. This will enable a further project aimed at lone parents and those on incapacity benefits- to be progressed. £50K Connecting Communities funding has also been secured which will enable further tailored provision in the Newton Farm and Golden Post areas of South Wye. Follow-n Future Jobs Funding could be applied for if the initial project is successful. This would run to 2011 and permit more beneficiaries.
NI 163 - Working age population qualified to at least level 2 or higher		74.8% (2009)		3	3	n/a	n/a	All action plan activity is taking place and on target.
NI 168 - Principal roads where maintenance should be considered	4%	5%	5%	3	3	▼	▼	Action plan being delivered to programme to impact on next year's target.
NI 169 - Non-principal roads where maintenance should be considered	11%	9%	9%	3	3	▲	▲	Action plan being delivered to programme to impact on next year's target.
NI 171 - New business registration rate	59.2	41.8 (2009)	49.7	3	4	n/a	▼	All activity is taking place as planned- Summary of activity: Creation of business start up grants and business growth grants. - Business Booster Grant now operational, approved 9 grants. - Training Voucher all available funding has been committed. Retail Support in Rural areas and Market Towns - Skillsmart providing retail analysis of Market Towns (AWM Funded), is an ongoing programme of events. Conversion of existing businesses to VAT and PAYE registration. - Holding VAT registration roadshows with HMRC, have held four this calendar year and a future four between January and March, targeted at those businesses not VAT registered who could make the change. - Funding secured for roadshows, first round of these has been held, a small scale review of these will occur before the next round of four roadshows. These will publicise benefits of VAT and PAYE registration.
NI 178 - Bus services running on time	80%	80%	Annual data due March 2010	3	3	n/a	n/a	Annual Data, data next due March 2010. All planned activity has either been achieved or is on target to date.
ENVIRONMENT								
NI 186 - CO2 reduction in the LA area	9.4 tons (2005)	13.1% (2010)		3	3	n/a	n/a	The action plan to achieve this target is being delivered to programme.

	Performance	Target	Latest Performance	Judgement		Direction of Travel		Commentary
	2008-09	2009-10		September	December	September	December	
NI 191 - Residual household waste per household	690.01kg	720kg (LAA: 759kg) (year-end) 300kg (to August)	451.93kg (November)	3	3	▲	▲	<p>470.63kg at same period last year.</p> <p>The new recycling service started on 2nd November 2009. With the introduction of a countywide kerbside service (previously only 75% had a service) giving residents a wider range of materials they could recycle (glass bottles and jars, cardboard and cartons for the first time) and larger capacity (a 240 litre or 120 litre bin or 4 recycling sacks per fortnight rather than a small blue box or a single recycling sack) the plan was to increase the amount of recyclate collected.</p> <p>In the first 4 weeks of November 2009, 1223 tonnes of recyclate was collected compared to 414 tonnes Focsa collected in November 2008. Consequently, the recycling tonnage collected by Focsa has nearly trebled when compared to the service of last year. The level of collected residual waste has dropped as a result of this and hence less household waste has been sent to landfill.</p> <p>A true picture of how the service is running will be available in the New Year.</p> <p>The action plan to deliver this target is being delivered according to programme.</p>
NI 197 - Improved local biodiversity - active management of local sites	36% (33 sites)	38.30%		3	3	n/a	n/a	<p>Annual Data, data next due March 2010.</p> <p>The majority of activity is either complete or in progress.</p> <p>Contingencies have been planned should this not be sufficient to meet the target.</p>

MEETING:	CABINET
DATE:	18 FEBRUARY 2010
TITLE OF REPORT:	BUDGET MONITORING REPORT 2009/10
PORTFOLIO AREA:	RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide.

Purpose

To report December's budget monitoring information and provide an indication of estimated outturn for both revenue and capital to 31 March 2010. This includes approval of virements set out in Appendix A which are required to fund service deficits. The report also focuses on treasury management activities in the first nine months of 2009/10.

Key Decision

This is not a Key Decision.

Recommendation

THAT Cabinet:

- a) **note the report and its approach to delivering a balanced outturn position at year end; and**
- b) **approve the transfer of the Winter Maintenance Reserve to Highways to support expenditure incurred as a result of recent bad weather.**

Key Points Summary

- The overall revenue budget position for 2009/10 shows a projected £0.847m overspend. This is approximately 0.6% of the council's £137.7 million revenue budget (excluding Dedicated Schools Grant funding).
- The forecast capital outturn has risen by £2.4m to £83.1m.

Alternative Options

- 1 There are no alternative options.

Further information on the subject of this report is available from
Anne Phillips, Head of Financial Services, on (01432) 383173

Reasons for Recommendations

- 2 To ensure Cabinet is informed of the forecast outturn for 2009/10, and supports actions as necessary to ensure a balanced outturn position is delivered, including use of virements to fund the revenue deficits and reprofiling of capital funding where schemes have slipped into 2010-11.
- 3 To ensure that Cabinet is kept informed of treasury management activities in accordance with CIPFAs recommended best practice.

Introduction and Background

- 4 The Council's revenue and capital position is reported to Cabinet quarterly throughout the year. The information provides an indication of the Council's performance against budgets.
- 5 CIPFA best practice recommends Members are informed of Treasury Management activities on a regular basis; as a result Cabinet will receive an update every quarter.

Key Considerations

- 6 Appendix A includes the detailed revenue budget report. The key areas of concern are Integrated Commissioning Directorate, with a projected £2.7m overspend and the Children and Young People's Directorate, with a £0.6m projected overspend.
- 7 Both directorates have produced recovery plans and Cabinet should note the recovery actions detailed in Appendix A. The delivery of the recovery plan is essential to mitigate the effect of the overspends rolling into in 2010-11.
- 8 The council's overall financial performance has a direct bearing on the level of reserve balance at year end as any overspend on the revenue account must be funded. The report at Appendix A indicates that the use of both the Winter Maintenance and Social Care reserves will be necessary, subject to virement approval, to deliver a balanced outturn.
- 9 The capital programme budget monitoring is provided at Appendix B. The forecast outturn has risen by £2.4m to £83.1m. Where possible use of time limited grants will be maximised before other more flexible resources.
- 10 Appendix C includes the Treasury Management Report. It is anticipated that at the end of the year there will be a small budget deficit on interest, offset by a budget surplus on borrowing in the region of £0.46m. Because of the low return on invested funds, and the limited number of good quality counterparties, it is currently council policy to postpone further borrowing as long as possible and reduce the level of its investments. However, this policy will be kept under review and may change, particularly if Public Works Loan Board rates increase.

Community Impact

- 11 Not applicable.

Financial Implications

- 12 These are contained in the report.

Legal Implications

13 None.

Risk Management

14 Effective financial reports, used to facilitate robust budget monitoring are an essential element in the management of risks and the delivery of the Council's and Herefordshire Partnership's priorities.

Consultees

15 None.

Appendices

- Appendix A – Revenue Budget Monitoring
- Appendix B – Capital
- Appendix C – Treasury Management

Background Papers

- None identified.

2009/10 REVENUE BUDGET MONITORING

Summary

1. The following table summarises the 2009/10 projected outturn as at the end of December 2009.

Area	2009/10 Budget £000	Projected net over or under (-) spend £000
Integrated Commissioning	39,470	2,737
Children & Young People	25,743	660
Deputy Chief Executive	15,576	0
Environment and Culture	28,539	45
Regeneration	10,351	-70
Central Services	2,624	0
Resources	7,951	0
Directorate Position	130,254	3,372
Borrowing	13,094	-480
Revenue contribution to capital	58	0
Investments	-249	21
Area Based Grant	-4330	0
LABGI	0	-87
Pay Award Savings	553	-553
Social Care Contingency	0	-926
Use of Winter Maintenance reserve		-500
WMS Profit Share	-546	0
Transfer from Reserves	-1116	0
Total Budget	<u>137,718</u>	<u>847</u>

2. The overall revenue budget position for 2009/10 shows a projected £847k overspend. This is approximately 0.6% of the council's £137.7 million revenue budget (excluding Dedicated Schools Grant funding).
3. The projected overspend in the Directorates is mitigated by use of the Social Care Contingency Reserve on current projections. This reserve is likely to be fully utilised in 2009-

10 leaving no balance to fund potential issues in future years. However, the proposal for 2010/11 includes an additional £500k.

4. There is an anticipated underspend of £480k on the council's borrowing, which is due to slippage on the 2008/09 capital programme and management of external borrowing.
5. A virement request is made to transfer the £500k winter maintenance reserve into the revenue to fund the costs incurred during January's severe weather conditions.
6. The agreed 1% pay award was less than the 2% budgeted and resulted in a saving of £553k, which has been removed from staff budgets across the directorates.
7. Savings of £700k arising from Hereford Connects are included in service budgets. Specific savings targets within directorates have been identified and the appropriate level of budget will be transferred from directorates to match the savings delivered by the programme.

Revenue Reserves Position as at 30th September 2009

General Reserves

8. As at 1 April 2008 the balance on the general reserve was £6.4 million. The council's Medium Term Financial Management Strategy (MTFMS) sets out the council's approach to managing general fund balances and specific reserves and ensuring a balanced budget. A key message is a move away from a higher level of general fund balances to specific reserves to deal with identified key corporate financial risks.
9. The projected balance on the general reserve for the end of 2009/10 financial year is as follows:

	£m
Balance brought forward	6.390
Meeting the projected overspend	(0.847)
Budgeted transfer	(1.000)
Projected year end balance	4.543

Earmarked Reserves

10. At 1st April 2009 the council held £16.064 million of earmarked reserves. This includes ring-fenced school balances reserves of £5.476m. A virement request is made to transfer the £500k winter maintenance balance to fund the costs incurred during January's severe weather conditions. This in addition to the use of the Social Care contingency would reduce the forecast overall balance to £14.638m. The following table summarises the earmarked reserves held:

Earmarked Reserves	£'000
Commuted sums	78
Schools balance in hand	5,476
Industrial Estates – maintenance	333
Support Services & Equipment renewals	80
Schools Balance of Risk	85
Winter maintenance	500
Planning	24
College Hill Community Centre	180
Waste Disposal	2,774
LSC	32
Wye Valley ANOB (AONB)	104
Invest to Save/Initiatives fund	1,079
Contingent liabilities	300
Modernisation plans	454
Edgar Street Grid	150
Whitecross School PFI	202
LPSA 2 reward grant	1,482
Carbon Reserve	30
Schools Redundancies	294
Service Delivery Review	112
Schools Rates Reserve	869
Economic Development	346
Herefordshire Safeguarding Children Board	21
Accommodation	133
Social Care Contingency	926
Total	<u>16,064</u>

11. A summary of the key variations between projected outturn and budget for each directorate is provided in the following paragraphs.

INTEGRATED COMMISSIONING DIRECTORATE

Directorate Summary as at 31 December 2009

	Total Budget for 2009/10 £000	Net over or (-) underspending £000
Learning Disabilities	11,133	1,823
Mental Health	7,010	124
Older People	14,931	723
Physical Disabilities /Sensory Impairment	3,806	367
Section 75 Arrangements	895	45
Adults	-227	-42
Commissioning Directorate	1,536	-57
Other Services	386	-246
Total	39,470	2,737

12. Adult Social Care expenditure is principally focused on four main client groups, Older People, Learning Disabilities, Mental Health and Physical Disabilities. Costs predominately relate to care packages that range from basic in-home assistance to complex needs addressed through specialised residential care and nursing packages. Packages can be commissioned through a number of ways such as block contract provision with major suppliers or direct payments to clients to allow them to purchase their own care.
13. The Net Budget for Adult Social Care is £39m. Gross expenditure is significantly higher at £59m. Expenditure is offset by income of £21m received from charges made to clients and grant funding.
14. Net Projection. **The forecast net overspend of £2,737k** is based on existing commitments projected forward in combination with a realistic forecast of the delivery of the identified recovery measures (£1.183m).
15. 2009/10 is the first full year of the implementation of Personal Budgets. Clients have been encouraged to take Personal Budgets where appropriate resulting in some reduction in the number of Residential Care packages and Direct Payments. Year to date 19 clients have transferred from Residential Care and 13 from Direct Payments. In addition 46 new clients are in receipt of personal budgets.
16. The average cost of a Personal Budget package is approximately £320 per week giving a yearly spend of £765k for new clients where no provision exists.
17. **Learning Disabilities total predicted over spend for the year is £1,823k.**
18. The full year over spend relates to increased costs in residential and nursing care with more

expensive and complex packages allocated, resulting in a projected over spend for the year of £899k. Personal budgets are projected to over spend by £723k. There have been 3 new clients with residential care packages, 16 new personal budgets approved and 4 new clients in supported accommodation.

19. The number of domiciliary care packages has increased with a £467k predicted over spend after allowing for staff vacancies totalling £98k.
20. **Mental Health. Total predicted over spend £465k.**
21. Residential and Nursing expenditure is predicted to be £300k overspend. Home Care packages approved by panel are predicted to be £202k above budget. The number of Personal Budgets has increased by six and the predicted over spend for the year is £42k.
22. Income received for residential packages is expected to be £56k higher than budget due to increased client contributions from charges to property.
23. **Older People. Total predicted over spend £723k.**
24. The costs for the new emergency Safeguarding Team are included within Older People. This is an emerging cost pressure and thus there is a predicted over spend of £79k.
25. The number of nursing and residential care packages has increased since the start of the year from 260 to 278, giving a £307k predicted over spend. The numbers of personal budgets approved has risen by 26. This includes 24 new clients, the remaining changed from direct payments.
26. Domiciliary care is also rising and is predicted to over spend by £752k for the year. This is due to the number of hours and packages rising in the year.
27. There are some areas of budget underspend forecast at £366k.
28. **Physical Disabilities. Total predicted over spend of £367k.** Personal budgets (£542k) and domiciliary care increases of £217k account for the overspend but are offset by the reduction in residential and nursing costs of £129k.
29. The number of personal budgets has risen from 2 at the start of the year to 39 in December. 24 of these are new clients and 13 have been transferred from direct payments. Residential and nursing packages have reduced from 28 to 19 year to date.
30. There have been additional pressures within the Section 75 arrangements for the Community Equipment Store due to the high demand. If the demand for equipment continues at the current level the projected year end position will be an overspend of £152k. Of the total, £59k will be met by the capital programme, leaving a £92k overspend to be shared equally with the PCT.
31. The service is presently looking at a recovery plan to address the present forecast. The Supporting People Grant is being considered for minor adaptations, which is estimated to be £67k spend for the year.
32. **The Commissioning team. Predicted under spend is £54k,** which is largely due to staff vacancies.
33. **Modernisation. The projected under spend of £153k.** Modernisation projects such as electronic monitoring and external brokerage will enhance the customer experience and help to deliver services in a more efficient and effective way. The projects will start to show an

impact on costs in 2010/11. Projects are fully funded by the Social Care Transformation Grant.

Recovery Plan

34. Recovery measures already identified and deemed to be realistically achievable have now been factored into the latest out-turn forecast (£1,183k). Responsibility for specific recovery measures has been allocated to the relevant managers and progress is regularly monitored. Some of the measures will take more time to implement and therefore will not have a significant impact on the current year position. The plan includes the following;

- a) Supported Living. A review of Learning Disability packages where opportunities exist to transfer clients into supported living. This financial year 1 client has moved from residential care but there was minimal saving. This is unlikely to realise significant savings in 2009-10 but will have an impact in the following year.
- b) Review expensive out of county placements - Service Managers are currently working on agreeing backdated care payments from another authority for two Physical Disabilities clients where there is a dispute regarding county of residence. This would potentially have a one-off income of £125k with future annual cost savings of £62k.
- c) Review the level of voids in existing contracts to ensure maximum value is being achieved.

The number of residential voids is currently 12% of the total number of places. The number of voids has dropped at the end of December to 15 with a saving since the end of July of £72k.

Day care voids have reduced from 54% in July to 43% of the total number of places at the end of December. There is now a more robust panel procedure for reviewing voids.

- d) Reviewing the flexibility within Supporting People Grant. Eligible housing related support services is being provided to the Commissioning Body for approval in February. Potential savings could amount to £1m. The current year removal of ring-fenced grant conditions offers a one-off opportunity to maximise flexible use of the capacity before supporting people becomes part of the Area Based Grant in 2010/11.
- e) The Mental Health and Social Care Capital Grants - work is on-going with managers to transfer all eligible spend. This will equate to £495k of the recovery plan.
- f) Residential standard rate The new standard rate for residential care is due to become effective on 1st April 2010. Contract Unit is working with providers to establish a new standard rate. Other local Authorities will be used as a benchmark.
- g) There is also a drive to gain ILF (Independent Living Fund) for all clients under 65 who are eligible within Learning Disabilities. One person has been approved with a funding of £4kr. A further three clients are currently being looked at with a potential saving of £9.5k. Other income opportunities are also being actively pursued in order to offset current expenditure i.e. Housing Benefit. This is unlikely to realise savings this year
- h) A 10% reduction in operating costs for the remainder of the year – this is being implemented.
- i) Review transport arrangements including route rescheduling and external transport – this is currently being piloted within Adult Services and savings will start to be made in December.

CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE (CYPD)

Directorate Summary as at 31 December 2009

	Total Budget for 2009/10 £000	Net over or (-) Underspend £'000
Inclusion & Improvement	4,725	133
Safeguarding and Assessment	11,828	740
Planning, Performance & Development (PP&D)	6,756	-376
Community Operations	102	14
Central Directorate -	489	149
Total	23,900	660

35. The projected outturn overspend of £660k is based upon reviews undertaken with service managers including actual spend to December and known commitments for the final quarter.
36. The budget now reflects budget virements made internally to consolidate the Blackfriars Business Support function within PP&D to improve operational efficiency.
37. As shown in the table above the principle area of concern continues to be within the Safeguarding area with three primary causes, which are covered in more detail below.
38. The most significant pressure continues to be the increasing numbers of children being placed in residential care. Across Herefordshire in the 12 months to December numbers of children have increased from (10 + 1 in secure accommodation) to 15 an increase of 36% or 50% if the secure placement is excluded. Agency fostering placements show an increase of 25% over the same period (from 20 to 25). Overall overspend is estimated to be £465k.
39. **Recovery Plan** – the Assistant Director for Safeguarding (ADS) has implemented a complete review of all high value cases to ensure that placements are effectively monitored and managed. The review has now been completed and identified five (red) RAG rated cases, of which it may be possible to move 4 and bring to an in house placement which would reduce the costs. However this must be done in a controlled manner to ensure the welfare of the children is maintained effectively. In addition a weekly panel review process has been implemented to review the top 20 cases with a monthly challenge meeting attended by the Assistant Director and Assistant Accountant.
40. The increased level of referrals for children to be taken into care has led to a corresponding increase in court referrals, as flagged previously. This combined with legislative changes has resulted in a doubling of court costs from 2008/09 (£111k) to 2009/10 (£200k). It is now evident the budget set by the directorate did not reflect realistic expenditure levels based upon last year costs and is currently projecting an over-spend of £170k.
41. **Recovery Plan Actions re. Court Costs** – The ADS has requested the legal team provide full details of all costs incurred to date and also mandated that any court requests for assessment are authorised in advance by the Service Manager to reduce duplication of assessment and minimise costs. The impacts of these changes will be closely monitored and reported back in future Cabinet reports.

42. Recent court rulings (Homeless 16/17 year olds re: R(G) v Southwark LB) have resulted in a requirement for Children's services to provide accommodation for homeless 16/17 year olds who are below the minimum age to be covered by adult housing provisions. The estimated cost of this will be £95k to the end of the financial year.
43. **Recovery Plan Actions re. Homeless 16/17 year olds** –Request for funding from Supporting People funding.
44. A further budget pressure within Safeguarding is the additional contract cost of £40k for Emergency Duty cover (EDT) following the withdrawal by Adult Social Care from the Worcester contract.
45. **Recovery Plan Action EDT contract**– the contract is fixed until March 2010, but the ADS is currently reviewing options to either bring in house or share a service with Social Care.
46. The Safeguarding service has run a successful recruitment campaign. However the new members of staff are either newly qualified or coming from overseas. There is a requirement in some cases to retain the locum social workers for longer than initially planned in order to provide the necessary supervision to the new team members.
47. **Recovery Action Plan – staffing issues** –the Safeguarding team is currently undergoing a review and restructure to ensure that the available resources are targeted most effectively, this will include the move to enhancing skills sets via the use of more Advanced Practitioners (the restructure will not increase the overall establishment numbers).
48. It has emerged that the shortfall in training income will be higher than previously reported.
49. **Recovery Plan Actions** – training delivery is now being overseen by the Workforce Strategy manager and improved processes are being implemented. In addition work is beginning to develop a costing model for charging training courses to ensure the recovery of the full cost of delivery. This work will fit with the council wide work on charging.
50. The over spend with the central cost area includes the following - £40k for the Schools Review, £40k for the Virtual Learning Environment (VLE) project up to December when the new SLA takes effect (funded by Standards Fund in prior years), the remainder relates largely to the balance of the target savings which should be made from payroll and travel savings
51. **Recovery Plan Actions** – As a result of the recruitment freeze and travel embargo the following savings have been made to date:
52. **Payroll** – Periods 1-7 Cost versus budget averaged a £26k per month, in P8 & 9 this has increased to a saving of £42k per month within the LA budget.
53. Further action will be taken until the year end to ensure that charges to grants are maximised (where applicable and appropriate) to reduce the pressures on the core budgets.

Other Pressures not included in projected outturn

54. The projected outturn reports local authority pressures only. Children's Services work is also funded by a wide range of grants and other funds. There are additional pressures in these areas which are also being addressed principally the Music Service deficit (estimated at £200k); work is underway to restructure and remodel the service to enable the service to operate at a net zero cost to the LA.

Dedicated Schools Grant (DSG)

55. DCSF have confirmed the final DSG allocation at £84.526 million for 2009/10. School budgets are determined by formula funding from the DSG and sixth forms from an additional £2.75m grant from the Learning & Skills Council £78.8m has been delegated directly to schools and any under or overspend by schools will be carried forward as part of school balances. Schools are required to set a balanced budget and for those schools in budget difficulties a deficit recovery plan must be agreed by the council. At the end of 2008/09 six schools were in deficit and the total deficit was £262k. All these schools are working to an agreed recovery plan. More schools are expected to set deficit budgets in 10/11.
56. Dedicated Schools Grant also funds some central services largely for individual pupils and it is expected that there will be some variances at year end for Banded Funding (£140k over) SEN Support Services(£60k under), Travellers Children (£20k under), Trade union facilities agreement (£30k over), Primary catering costs (£20k over). These are offset by increased grant of £33k. DSG grant regulations require that any under or over spend is carried forward and allocated in the next financial year.

Schools Financial Issues

57. In 2008/09 rates rebates of £1,054k were received for charitable rates relief for voluntary aided schools going back to 2000. Legal advice is that the rates rebates must be distributed to schools on a per pupil basis. Schools Forum have agreed to distribute the £1,054k rates rebates to schools on a formula basis to be devised by School Forum Budget Working Party. The distribution formula will be finalised by Schools Forum on 23rd February.
58. There are further funds available for redistribution to schools from DSG carry forward (£1,280k) and Schools Forum in December agreed to distribute the under spend to schools at £58.50 per pupil. Schools have the choice of receiving their allocation in full in 2009/10 or split equally over the three years 2009/10-2011/12 to help with future years' budget planning.

DEPUTY CHIEF EXECUTIVE DIRECTORATE

Directorate Summary as at 31 December 2009

	Total Budget 2009/10 £000	Net projected over or (-) under spend £000
Herefordshire Connects	1,661	0
Herefordshire Partnership	221	0
Communications	390	-28
Director and Administration	268	0
Legal and Democratic	2773	436
INFO	1,713	-86
Policy & Performance	745	0
Information Services	363	0
Corporate ICT Projects	880	0
ICT Services	3,819	-277
Corporate Programmes	61	0
Community Network Costs	1,030	0
Human Resources	1,652	-45
Total	15,576	0

59. As part of the initial budget process the interim Deputy Chief Executive asked Heads of Service to identify budget capacity that could be held back to cover emerging budget pressures. This budget capacity was ring-fenced within service areas and is shown within the directorate summary as underspends within ICT, INFO, HR and Communications.
60. The key area of forecast overspend is Legal and Democratic Services where there are several significant budget pressures. These include:
- a) Unbudgeted staff costs (3 FTE) within the Member's Services establishment required to meet increased demands for committee support. This will cause £110k overspend.
 - b) A reduction in anticipated income following a review of recharges.
 - c) A judicial review of a previously held inquest has been ordered, which is likely to result in a £60k additional costs.
 - d) A shortfall in income for land charges of £100k. This is due to external economic conditions affecting the housing market and competition from the private sector.

Recovery Plan

61. The Interim Assistant Chief Executive – Legal and Democratic is working with colleagues corporately to address a range of issues to ensure that Legal and Democratic Services are fit for purpose, including finding ways to address the budget issues and producing a robust recovery plan.

ENVIRONMENT & CULTURE DIRECTORATE

Directorate Summary as at 31 December 2009

	Total Budget 2009/10 £000	Net over or (-) under spend £000
Highways	6,822	1,010
Environmental Health and Trading Standards	661	0
Waste Management	12,491	-1440
Culture & Leisure	7,493	0
Directorate Management & Support	343	40
Emergency Planning	152	60
Community Safety	206	0
Service Delivery Client Team	110	0
Managing Agent Contract (MAC) Services	261	375
Total	28,539	45

The overall outturn position for Environment & Culture is a net overspend of £45k.

62. Since 1 September 2009, Highways, Public Rights of Way and Parks and other ancillary services form part of a managing agent contract with Amey Wye Valley. Through this contract Amey Wye Valley will deliver £1M annual savings and improved performance. This will be monitored by a new Service Delivery Client Team.

Highways

63. Following the severe winter weather in early January, there is an expected pressure on the Winter Maintenance budget of £1.1m. A virement request to use the Winter Maintenance Reserve of £500k is a recommendation in the Cabinet report to help meet costs incurred due to such conditions and mitigate the pressure on the budget.
64. Over 10,000 tonnes of grit have been used on Herefordshire's roads this winter so far, mostly during the first two weeks of January.
65. The full damage to the county's road network is emerging. An initial estimate to repair potholes is being collected. The council and its highways partner, Amey Herefordshire, are repairing hazardous potholes to keep roads safe. The Council has written to the Department of Transport to request the government enact emergency funding to address these issues.

66. The Council has also registered their intent to claim under the Bellwin Scheme for all immediate revenue emergency costs incurred in relation to the severe weather and whilst awaiting agreement from central government, work is underway to identify these costs across the Council. Funding will only be received for costs above the annual Bellwin Scheme threshold of £444k.
67. As a last resort, a capitalisation direction is being sought to request the cost of revenue repairs are capitalised and funded via prudential borrowing.

Environmental Health & Trading Standards

68. Overall Environmental Health and Trading Standards' outturn is expected to match budget.
69. Markets and Fairs are predicted to overspend by around £90k. This is largely due to a shortfall in income on the Hereford Butter Market. The market lost a major trader last year and has been unable to recover from that loss. Only 58 out of a possible 67 stalls are currently occupied at this site compared with 65 stalls occupied in December 2009.
70. Cemeteries and the crematorium continue to underspend and this is estimated at £50k.
71. Car Parking is predicted to overspend by £40k. Although there is a shortfall in income compared with budget this has been partially mitigated by staff vacancies. Some 1,418,000 tickets were loaded into pay and display machines in the 9 months to December 2008 whereas in 2009 the equivalent figure was 1,327,000. Penalty tickets issued are also down with 14,107 issued to December 2008 and 12,366 for the same period this year.

Waste Management

72. Latest estimates of waste disposal costs from Worcestershire County Council project an underspend of £1.45k on Herefordshire's Waste Disposal budget for 2009/10. This is an increase in underspend of £218k and is due to further reductions in the revised annual tonnages in the joint contract. Herefordshire disposal tonnages have fallen by 3.5% in the first 8 months of the year compared with the same period in 2008/09. This is mainly due to increased recycling.
73. On 1st November 2009, the Waste Collection contract was renewed with FOCSA services, following a formal tendering process. The new contract has extended recycling service to all residents in the County for the first time and the range of recyclables to be collected has also been extended. This will enable us to achieve our target of 40% by the end of 2010. FOCSA collected three times the amount of kerbside recycling in November and December 2009 when compared to the same period in 2008 when we had the purple and clear sack system. Although performance has been affected since the New Year because of the adverse weather conditions, we will see improved performance in 2010/11 when we will see the full year effect of the new service. Recycling outturn for last year was 33.92% and our current standing is 35.88%.

Culture & Leisure

74. Culture & Leisure expenditure is now expected to match budget in 2009/10.
75. There are savings of £50k on Parks and Countryside and £20k on Public Rights of Way mainly due to the recruitment freeze pending the service delivery review. Further savings are expected on employee costs for Sports Development. This relates to the Exercise Referral Development Officer post.
76. The Libraries budget is expected to overspend by £110k. This mainly relates to employee

costs and the building running costs of the Broad Street Library. Library visitors have fallen by 4% in the eight month period to November compared with the previous year.

Emergency Planning

77. The Emergency Planning budget is expected to overspend by £60k. A backlog of plans for both emergency and business continuity are outstanding, these include pipeline plans, review of rest centre plans and humanitarian assistance centre logistics planning. In order to ensure the council and PCT remain in compliance with the Civil Contingencies Act 2004, staffing levels have been increased.

Directorate Management & Support

78. The Directorate has undertaken a piece of work for "Reputation Research". The outcome of this work will contribute to corporate reputational work and how we deliver services. Cost is being met by staff vacancy management in the Environment Support and Sustainability teams.

Managing Agent Contract Services

79. Savings achievable following the Service Delivery Review are based on the transfer date of 1st September 2009 and will be received pro rata against the guaranteed £1m.

REGENERATION DIRECTORATE

Directorate Summary as at 31st December 2009

	Total Budget for 2009/10 £000	Net over or (-) underspend £000
Tourism	511	30
Planning & Transportation	9,266	-4
Econ. & Com. Regeneration	1,916	30
Strategic Housing	458	-61
Management & Admin		-65
Total	10,351	-70

80. The overall outturn position for Regeneration is an under spend of £70k.

Tourism

81. Following the transfer of the service from the Environment and Culture Directorate there has been a staff restructure which resulted in one off reorganisation costs of £11k. Staffing pressures remain and Tourism is expected to overspend by £30k this year but will be mitigated by under spends elsewhere within the Directorate. The salary budget shortfall is being addressed for 2010 with further adjustments to staffing levels.

Planning and Transportation

82. The overall expected position for Planning and Transportation is an under spend of £4k.

83. The number of valid planning applications for the period April to December 2009 is 2,071. For the same period in 2008 the figure was 1,831. This is an increase of 13% but despite this improvement, Planning is still forecast to overspend by £267k.

84. In the past few months Development Control has not met the budgeted level of income required, even though a number of major applications were received in the period to 30th September 2009. It is not anticipated that there will be the usual surge of applications in March this year. In overall terms a shortfall of £100k against the budgeted target of £1.13m is still expected.

85. Building Control has managed to achieve its income targets for the past two months but overall income year to date is still below the required budgeted target. The annual target is £681k and a shortfall of £40k is currently projected.

86. The new Civica system has recently been implemented however the need for existing document scanning continues and this is forecast to be a budget pressure of £70k for this year. A further overspend of £45k is currently forecast for document storage and retrieval

costs at the Modern Records Unit. Additional printing charges of £10k have also been identified.

87. There has been a downturn in the numbers of concessionary fare passengers in the first nine months of the year. In the period April to December 2008 the number of concessionary passengers was 1,068,000 compared to 1,001,000 in the first 6 months of this financial year, representing a 6.3% reduction. Should this trend continue a saving of £70k in concessionary fares is forecasted.
88. There were 22 bus service contracts that expired in September 2009 with an annual cost of £940k. Of these 3 were not renewed, 2 contracts combined, 12 saw a reduction in costs and 5 saw an increase. 5 further contracts are up for renewal at the end of Feb 2010 and it is expected that 2 will be discontinued and that the others will be renewed at no further cost or saving. The forecast net saving for the year on rural routes is expected to be approximately £140k

Economic and Community Development

89. Planning fees in respect of Model Farm Enterprise park in Ross-on-Wye are likely to be incurred before the end of March 2010 and the cost will be met by savings made elsewhere within the directorate.
90. Community Regeneration has recently been awarded a "Leader Vital" grant to the value of £2.55 million. So far, the project has received 12 expressions of interest, and 5 full applications (value £460k). The Leader Programme in Herefordshire focuses on social and community issues as detailed below:
- Enable local communities to develop and implement actions to improve the quality of life of those living and working in rural Herefordshire.
 - Enable local communities to develop and access the services they need in their area.
 - Support and improve local democratic structures to meet the needs of local communities
 - Training local people to meet identified skill gaps and encourage enterprise
 - Enhance and maintain the distinctiveness of the countryside.

Strategic Housing

91. Strategic Housing is now expected to underspend for the year by £61k.
92. Homelessness is expected to under spend by £121k. This is due to the lower than expected activity on prevention schemes and also takes account of two recent initiatives; a £30k contribution towards a Credit Union Project to provide debt advice and loans to homeless clients currently barred from an allocation of social housing due to rent arrears and £15k grant to local church organisation to run cold weather shelter during periods of extreme cold.
93. Although demand for temporary accommodation in bed and breakfast has been lower to date than the same period last year there is a risk that the expansion of other temporary provision and ongoing prevention-based interventions will not be sufficient to contain this demand for the whole year. Homelessness overall is currently expected to balance its budget with any overspending on temporary accommodation being offset by corresponding underspending in prevention and the holding of staff vacancies.
94. Bed & breakfast occupancy at the end of December 2009 was 1 family with children, and 15

singles. The equivalent week in 2008 was 4 families with children, and 11 singles. December 2009 has seen the highest occupancy of B & B in this financial year and is due to the recent period of severe weather. In 2008/09 the highest occupancy level was 22 families.

95. There are also additional pressures on the Private Sector Housing budgets due to greater levels of activity.

Management & Admin

96. Directorate Management shows an estimated underspend on salaries of £65k due to a freeze on recruitment to vacant posts within this area and the secondment of a staff member to the Strategic Housing area.

CORPORATE BUDGETS

Summary as at 31 December 2009

	Total Budget 2009/10 £'000	Net over or (-) underspend £000
Central Services	2,624	0

97. This area is expected to remain within the annual budget and there are no anticipated overspends.

RESOURCES DIRECTORATE

Summary as at 31 December 2009

	Total Budget 2009/10 £'000	Net over or (-) underspend £000
Asset Management & Property Services	3,456	-20
Financial Services	1,949	125
Audit Services	425	20
Benefits and Exchequer Services	1,690	-125
Central	181	0
Total	7,901	0

Asset Management & Property Services

98. Spend is currently slightly under budget. Any savings delivered from the accommodation review will be used for prudential borrowing and have no impact on revenue budgets. This is likely to develop over the coming years.
99. Business Rates relief for properties with a rateable value under £15k has eased the pressure on empty units at industrial estates.

Audit

100. An overspend results from additional one off costs.

Benefit and Exchequer

101. The Benefits subsidy has been reviewed and there is an anticipated surplus of £105k. The subsidy surplus has arisen because the level of Local Authority error is below the Departments for Works and Pensions (DWP) threshold. The Audit Commission have to agree that the subsidy claim complies with the DWP requirements before the additional subsidy is confirmed
102. Further analysis of the subsidy forecast is being undertaken to establish whether higher surpluses may be delivered.
103. Delays in recruitment are expected to result in a saving of £25k in the current financial year. Some posts will be deleted to secure on-going savings.

Financial Services

104. The cost of interim staff working within Procurement contributes to the overspend. The Procurement Manager post has now been filled and will be in place in April.

Central

105. This area is expected to remain within the annual budget.

Recovery Plan

106. Savings have already been delivered that addressed the previously reported overspend. It is expected the service will deliver a balanced budget.

2009/10 DECEMBER CAPITAL PROGRAMME BUDGET MONITORING

OVERALL SUMMARY POSITION

1. The capital programme forecast outturn for 2009/10 as at 31 December totals £83,095k, which is an increase of £2,409k from the September 2009/10 capital programme forecast. The main reason for this increase follows the re-profiling of expenditure forecast on the Minster School project.
2. A summary of the overall capital programme expenditure forecast and funding thereof for 2009/10 is provided in table D1.
3. Table D2 provides a breakdown of total capital scheme costs exceeding £500k, funding, spend to date and potential issues for capital schemes with a revised forecast spend for 2009/10 exceeding £500k. Capital programmes for Directorates are reported quarterly to the relevant scrutiny committee.
4. Actual total spend to date appears low at £44,284k to the end of December. This is mainly due to the following items;
 - £9,066k expenditure forecast on the new Hereford Academy, for which the contract of main works has only just been let.
 - Delays on spend on Herefordshire Connects £3,279k budget due to the Shared Service review, likely to commence in the new financial year.
 - Low spend to date on road and footway maintenance where the bulk of expenditure is always incurred in the later part of the financial year.

Prudential Borrowing Position as at 31st December 2009

5. A summary of the Prudential Borrowing position for 2009/10 is set out below.

	£'000	£'000
2009/10 Original Prudential Borrowing Allocations		£14,258
Add: Slippage from 2008/09 Allocated in year	£10,144	
	£806	
		£10,950
Less: Slippage into future years	(£9,820)	
Returned to corporate funding pot	(£1,294)	
		(£11,114)
Forecast use of Prudential Borrowing in 2009/10		£14,094

Capital Receipts Reserves Position as at 31st December 2009

6. The capital receipts reserve totalled £17,556k as at 1st April 2009. Very few capital receipts are expected during this financial year. £10,327k of this funding source will be spent in 2009/10 with the remaining balance to be used to fund future year's capital programme including the provision of a new livestock market.

TABLE D1

FUNDING OF REVISED 2009/10 CAPITAL PROGRAMME

Capital Programme Area	2009/10 Revised Forecast 31/12/09	SCE(R)	Prudential Borrowing	Grant	Revenue Contribution	Capital Receipts Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Children's Services	40,646	2,372	525	37,739	-	-
Resources	6,791	-	3,741	152	-	2,898
Deputy Chief Executive	3,999	-	3,831	100	-	69
Adult Social Care	730	-	65	434	-	231
Regeneration	14,030	-	2,885	3,996	20	7,129
Environment & Culture	16,899	11,195	3,047	2,651	-	0
Total Revised Forecast	83,095	13,567	14,094	45,072	20	10,327
<i>Sept Forecast</i>	<i>80,686</i>	<i>13,567</i>	<i>16,578</i>	<i>40,172</i>	<i>1</i>	<i>10,354</i>
<i>Change from Sept Forecast</i>	<i>2,409</i>	<i>-</i>	<i>(2,484)</i>	<i>4,900</i>	<i>19</i>	<i>27</i>
<i>Original Forecast</i>	<i>67,438</i>	<i>13,567</i>	<i>16,449</i>	<i>34,154</i>	<i>-</i>	<i>3,268</i>

Schemes with a forecast spend exceeding £500k in 2009-10

Scheme Detail By Directorate	Whole Scheme Cost £'000	Funded by	2009-10 Expenditure forecast £'000	Actual spend to 31-12-09 £'000	Most relevant Corporate Theme	Comments
Children's Services						
New Hereford Academy	24,130	DCSF Grant	9,066	2,870	Children and Young People	Main contract of works to commence shortly, completion due Autumn 2011
Minster Replacement School	20,642	DCSF Grant	12,201	8,787	Children and Young People	Work progressing, no issues, completion due summer 2010
Devolved Capital Programme	n/a	DCSF Grant	4,914	3,787	Children and Young People	Devolved allocation of capital funding to schools, including ICT
Primary Grant	8,378	DCSF Grant	3,000	85	Children and Young People	Capital funding for all through primary school in Leominster, consultation process underway
Children's Centres	n/a	Grant	1,178	784	Children and Young People	Various children's centre schemes progressing including Hollybush and Peterchurch
Targeted Capital Fund	8,000	DCSF Grant	600	51	Children and Young People	Capital funding allocated towards 14 to 19 year olds and Special Education Needs
Condition property works	n/a	SCE®	1,543	908	Children and Young People	Annual programme of works at various sites committed on a highest need first basis
Quality & Access for early years provision	n/a	Grant	1,324	714	Children and Young People	Grant funding devolved to nurseries via the Quality and Access project board evaluation
Riverside Amalgamation	8,505	Grant & receipts	1,236	2,706	Children and Young People	New contractor appointed to complete scheme for the autumn term
Wave 2 Playbuilder	1,120	DCSF Grant	526	82	Children and Young People	Funding towards 22 play area provision (11 per annum) for 8-13 year olds

Scheme Detail By Directorate	Whole Scheme Cost £'000	Funded by	2009-10 Expenditure forecast £'000	Actual spend to 31-12-09 £'000	Most relevant Corporate Theme	Comments
Resources						
Corporate Accommodation	17,112	Prudential borrowing & capital receipts	5,140	4,193	Organisational improvement & greater efficiency	Key corporate accommodation property purchased.
Smallholdings	1,500	Capital receipts	500	74	Economic development & enterprise	Property improvement works commenced November
Deputy Chief Executive						
Herefordshire Connects	6,780	Prudential borrowing, grant & receipts	3,279	2,056	Organisational improvement & greater efficiency	Slippage due to the Shared Service review, spending expected in 2010-11.
Environment & Culture						
Road & Footway Maintenance	n/a	LTP allocation	7,692	4,915	Sustainable communities	Programme of annual Amey works including works required at Symonds Yat
Bridgeworks	n/a	LTP allocation	1,500	506	Sustainable communities	Annual programme of works to avoid closures
City Centre Enhancements	2,751	Prudential borrowing	495	3,601	Sustainable communities	Improvements to be made along Widemarsh St in line with Edgar Street Grid development
Sustrans	1,401	Prudential borrowing & Grant	180	120	Economic development & enterprise	Walking and cycling route over River Wye in design stage, preferred route to be confirmed
Waste Performance & Efficiency	869	Grant	754	755	Economic development & enterprise	Bulk of expenditure on purchase of wheelie bins.

Scheme Detail By Directorate	Whole Scheme Cost £'000	Funded by	2009-10 Expenditure forecast £'000	Actual spend to 31-12-09 £'000	Most relevant Corporate Theme	Comments
Regeneration						
Rotherwas Futures Estate Development Work	5,266	Grant & capital receipts	2,731	853	Economic development & enterprise	Refurbishment of site and internal road works planned this year
Cattle Market	9,800	Capital receipts	2,910	95	Economic development & enterprise	Additional funding and approval to proceed received, start on site to follow
Affordable Housing Grants	n/a	Capital receipts	1,979	588	Safer & stronger communities	Annual allocation of grants to various schemes
Rural enterprise grant	5,000	Grant	1,667	431	Economic development & enterprise	Successful award of grant funding
Mandatory Disabled Facilities Grant	n/a	Grant & capital receipts	1,301	441	Health & well-being	This budget is under huge demand, a backlog of approximately £1m recorded
Mortgage Rescue	900	Prudential borrowing & receipts	900	494	Safer & stronger communities	Over £750k committed to individual schemes helping families remain in their properties
Private Sector Housing	n/a	Grant & receipts	787	355	Health & well-being	Annual programme of funding to various private sector landlords
Empty Property	600	Prudential borrowing & receipts	600	-	Health & well-being	Approximately £250k committed to bringing individual properties back into use
Total			67,976	40,251		
Schemes with a forecast spend in 2009/10 of less than £500,000			15,119	4,033		
Total			83,095	44,284		

This quarterly report ensures the Council is embracing best practice in accordance with CIPFA's recommendations, by informing members of the Treasury Management performance to December 2009.

1. The Economy

1.1. Recent economic statistics show:

- The Bank Base Rate remaining unchanged at 0.50%;
- CPI inflation rising each month from 1.1% in September (its lowest level for five years) to 2.9% in December.
- GDP increasing for the first time in eighteen months, although only rising by a weaker than expected 0.1%;
- House prices continuing to increase (the average cost of a home went up for the eighth month in a row in December rising 0.4% to £162,103); and
- Unemployment reaching £2.49 million in the quarter from August to October 2009 (the highest figure since 1995 although the smallest quarterly increase since May 2008) then the quarter to November 2009 showing a small decrease of 7,000.

1.2 Although there are some tentative "green shoots" the general economic backdrop remains weak.

2. The Council's investments

2.1 As at 31 December 2009 the council held the following investments:

Investment	Rate of interest	Amount invested	
		£m	£m
Instant access accounts:			
National Westminster	1.10%	5.00	
Abbey (now Santander)	0.80%	5.00	
Barclays	0.65%	5.00	15.00
Money Market Funds:			
Blackrock	0.55%	2.19	
Insight	0.48%	1.44	
Standard Life	0.41%	2.48	6.11
Fixed term deposit for three months to 22 January :			
Bank of Scotland	1.10%	5.00	5.00
Total	0.81%		26.11

2.2 Apart from the term deposit with the Bank of Scotland, the council has instant access to all its invested funds. At the beginning of 2009/10 instant access was put in place as a response to the problems in the financial markets. However, there has been no need to review this policy as the instant access rates received are consistent with those granted for term deposits of at least three months.

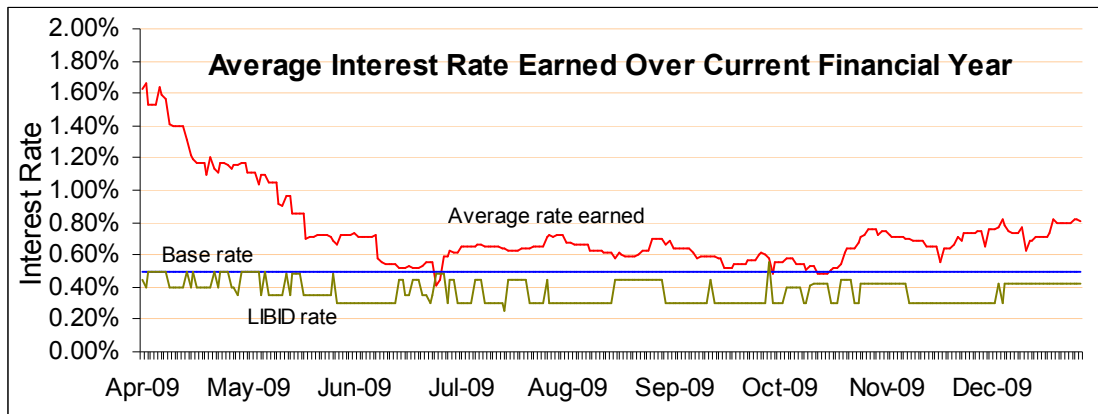
2.3 The current investment policy is to restrict the council's list of eligible institutions to the following:

- Banks and building societies with access to the UK government's Credit Guarantee Scheme;
- AAA-rated Money Market Funds;
- Other Local Authorities; and
- The Debt Management Office.

2.4 There has been no change in the bank base rate during the quarter and it is expected to remain at 0.50% until Autumn 2010. The council's treasury adviser has provided the following forecast of the bank base rate:

Bank Rate	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
Upside risk			+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	0.50	0.50	0.50	1.00	1.50	2.25	3.00	4.00	4.00
Downside risk				-0.50	-0.50	-0.50	-0.25	-0.25	-0.25

2.5 The average daily interest rate earned on the council's investments is shown in the graph below.

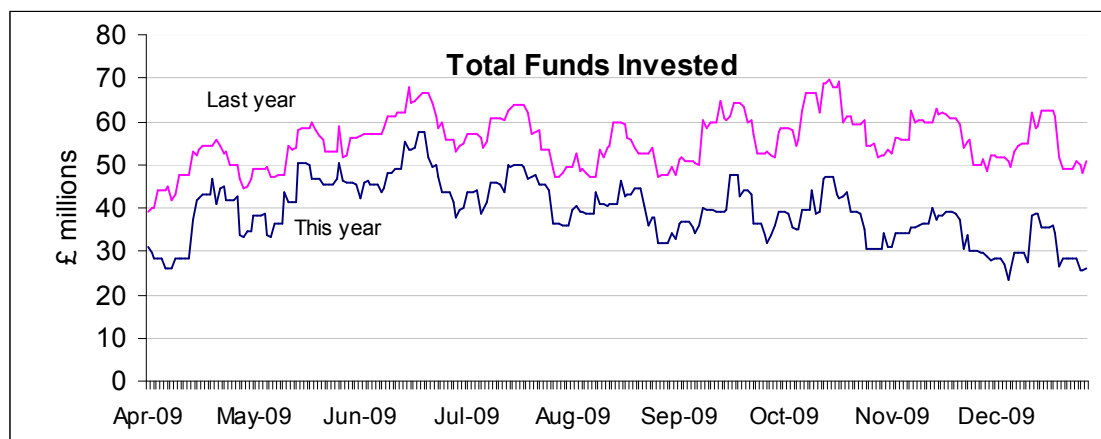


2.6 In the nine month period to 31 December 2009 the daily rate of interest earned has averaged 0.72% but this rate has varied from 1.60% at the beginning of the year to a low of 0.40% in June 2009. At the beginning of the year the average rate was increased by term deposits, made in earlier periods when the interest rate was higher, but by mid-June these had all matured.

2.7 The interest rate achieved compares favourably with the generally accepted benchmark of the 7-Day London Inter-Bank Bid (LIBID) rate which averaged 0.40% for the nine month period.

2.8 Because of the limited number of eligible counterparties, and the relatively wide spread in interest rates offered (from 0.25% by the Debt Management Office to 1.10% by National Westminster Bank) the average daily interest rate obtained tends to fall as the total invested increases (as less attractive counterparties offering less attractive rates need to be used).

2.9 The graph below shows the total invested in the year to date and it can be seen that from November 2009 the total amount invested has tended to fall resulting in an improvement in the average daily rate of interest, as shown by the graph above.



2.10 The graph also shows the reduced level of investments, when compared to the previous year. This is due to the council using its investments to finance capital expenditure in preference to taking out further (external) borrowing. This is a cost effective approach that minimises our borrowing.

3. The Council's Borrowing

3.1 To date the council has not taken out any new borrowing in 2009/2010.

3.2 As at 31 December 2009 the council's long term borrowing totalled £115.22m with maturities as follows:

<u>Principal repayable:</u>	£	%
Within the next 10.5 years to 31 March 2020	19,976,795	17.34%
Between 1 April 2020 and 31 March 2030	22,244,137	19.30%
Between 1 April 2030 and 31 March 2040	30,000,000	26.04%
Between 1 April 2040 and 31 March 2050	18,000,000	15.62%
Between 1 April 2050 and 31 March 2060	25,000,000	21.70%
Principal outstanding as at 31 December 2009	<u>115,220,932</u>	<u>100.00%</u>

3.3 The above borrowing is from the Public Works Loan Board except for two bank loans totalling £12 million, which were taken out in 2004.

3.4 The Treasury Management Strategy outlined various options regarding council borrowing for 2009/2010. The current large differential between investment rates and borrowing rates means the favoured approach is to use internal borrowing as far as possible.

3.5 It is anticipated that before the end of March 2010 the council will be unable to postpone borrowing any longer and will need to borrow an additional £10 million from the PWLB to

ensure funding of future capital schemes. Because of the low bank base rate, it is likely that the council will borrow short-term to take advantage of lower rates for shorter maturity periods.

- 3.6 Debt rescheduling has been discussed with our treasury advisors but, because of the high cost of repayment coupled with the risk of having to replace loans in the future when rates may well be higher, we have not pursued this option. We will keep it under regular review.

4. Projected Outturn

- 4.1 The projected net outturn is an underspend against budget of £459k. Of this amount approximately £21k relates to projected interest received being less than budget and £480k relates to an underspend on borrowing.
- 4.2 The underspend on borrowing is due to slippage on the capital programme and the associated external borrowing, resulting in a reduced minimum revenue provision (MRP) for debt repayment and less external interest payable in the year.

5. The Council's Treasury Advisers

- 5.1 The council's three year contract with Sector ended in 2009. The council invited Sector and two other treasury adviser's to tender for a new three year contract. The contract was awarded to Arlingclose Ltd who have an excellent track record for providing good information and sound, independent advice. The services offered by Arlingclose include the following:
- Advice on credit worthiness policy;
 - Advice and guidance on long-term borrowing as well as debt restructuring opportunities;
 - Regular meetings to discuss strategy;
 - Staff training events; and
 - Assistance with CIPFA reporting requirements etc.