Final Business Case

Herefordshire Shared Services Strategy

14th August 2009

Herefordshire Council

NHS Herefordshire

Hereford Hospitals NHS Trust

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 Programme[1] (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

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[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: a) Secure immediate cost savings opportunities for procurement	3a) Convene a mobilisation meeting for procurement savings and agree: – Sponsor for the work – Day to day project lead – 2 – 4 week planning phase to confirm savings targets, priorities and working arrangements	4 September 2009
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: – 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: – 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 – 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	11) Plan to mobilise procurement project (link to 3a)	4 September 2009
a) Appoint a commercial manager to provide strategic leadership including contract management and delivery of innovative commercial solutions	a) Recruit commercial manager – prepare job role – agree process	As soon as possible
b) Merge procurement savings activity under one governing body (combining benefits work on Connects/Shared Services/Other activities)	b) Part of mobilisation meeting (link to 3a)	4 September 2009
c) Undertake a rapid implementation planning exercise to prioritise savings opportunities and delivery plans	c) As above	
d) Formalise combined procurement targets and delivery programmes and agree with the partnership	d) As above	
e) Mobilise with quick wins targeted to deliver by April 2010	e) Confirm quick win targets	9 October 2009
12) Adopt preferred high level plan	12) Review base and accelerated transition plans in business case and confirm preferred option	4 September 2009

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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

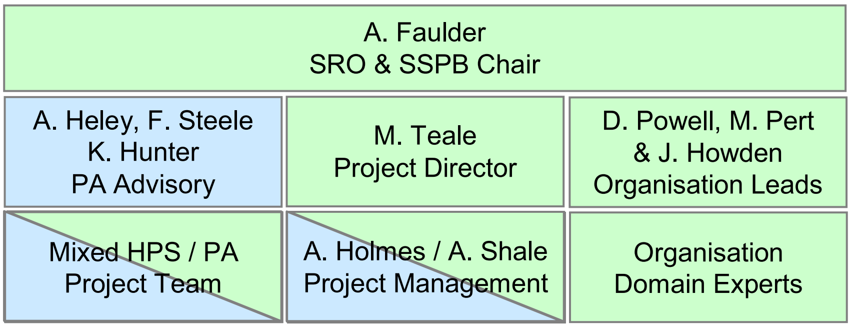
There are some services which we would ordinarily expect to see in scope for a Shared Service review such as Revenues & Benefits and Learning & Development. Although these services are out of scope, a simplified assessment has been made on their potential for sharing.

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



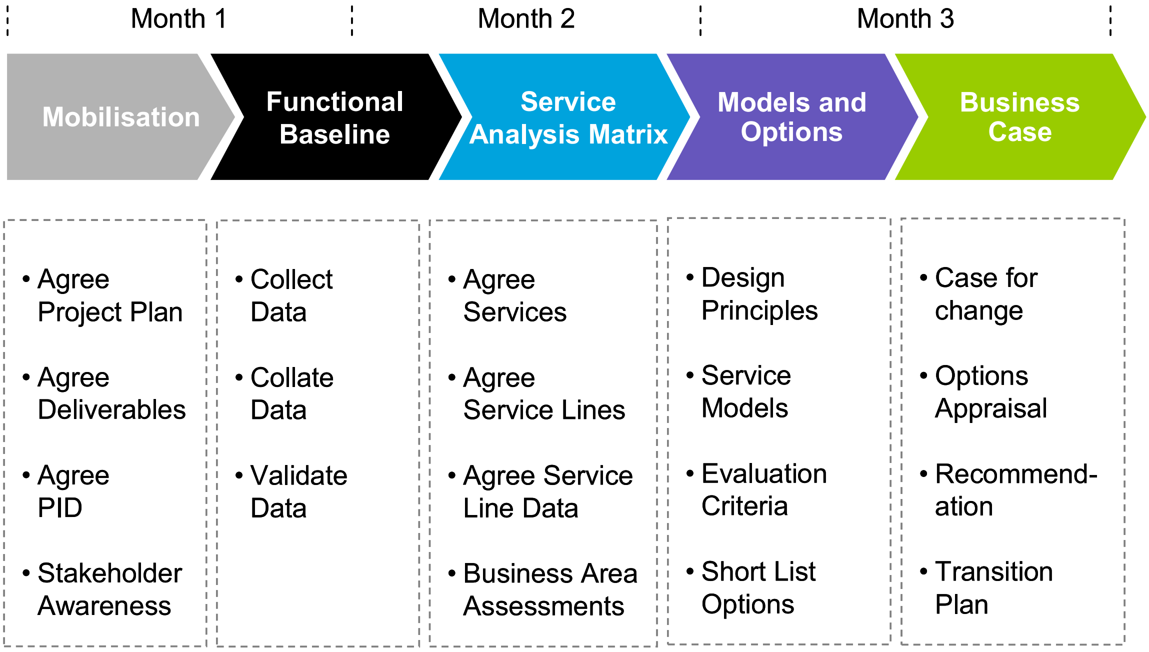
The extended project team comprises of HPS & HHT project management and organisation domain experts supported by PA Consulting Group resources providing specialist expertise. In addition to the core project team, senior stakeholders and operational staff from across the partners have been extensively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



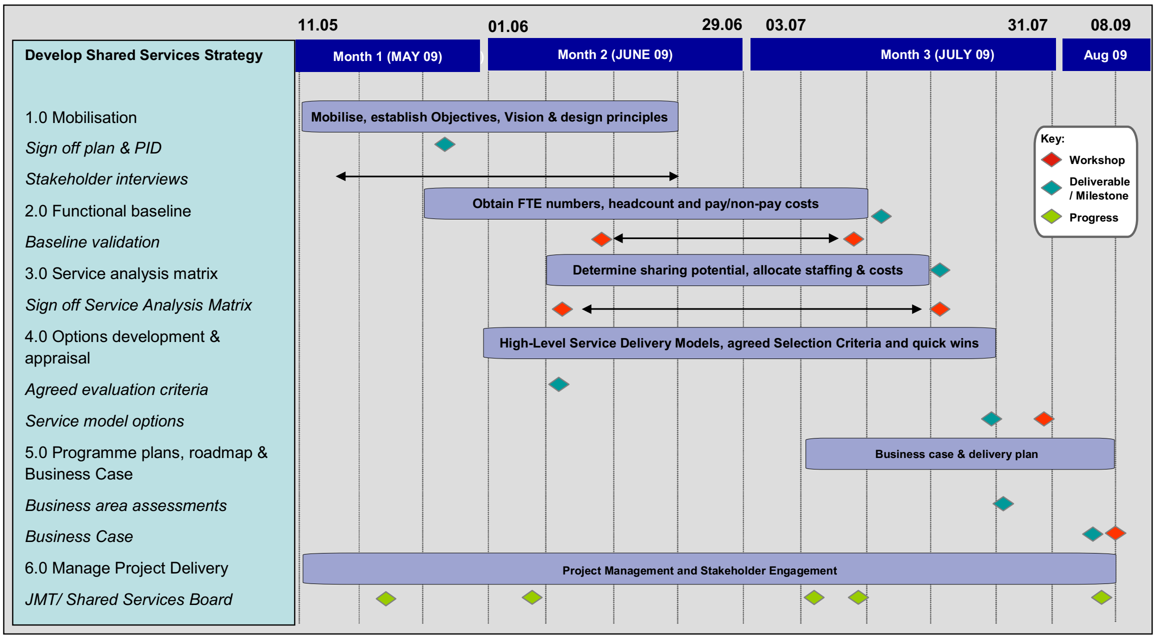
In reality, there was a high degree of overlap in the programme – particularly in creating the functional baseline and service analysis matrix development.

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



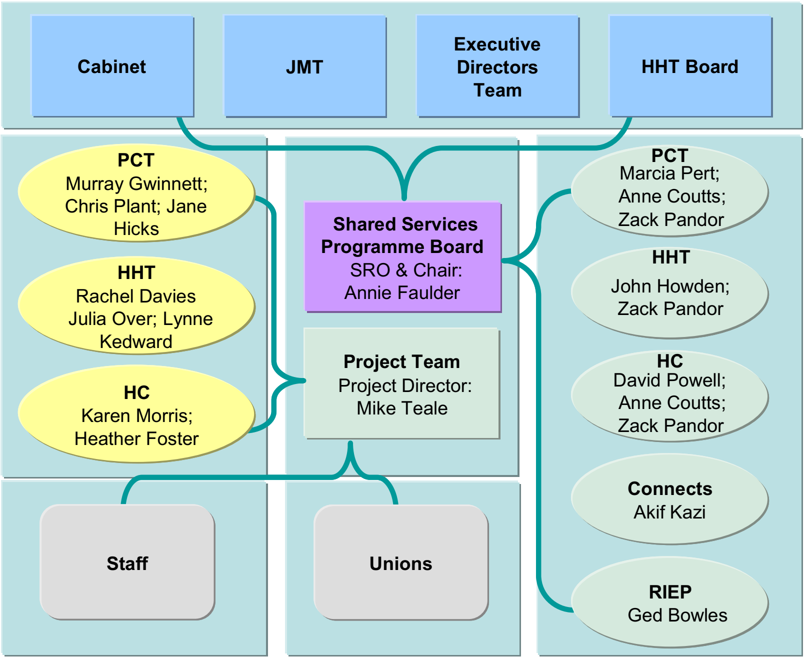
1.6 Engagement

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

	Total		In scope	
Organisation	**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%**

	Total		In scope	
Organisation	**£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%**

The largest in-scope services include ICT, Finance & Procurement, HR & Payroll and Estates, together accounting for 85% of in-scope services FTEs, almost ⅔ 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*	*In-house*	*In-house*	*In-house*
2.2	*Accounts Receivable*	*In-house*	*Shared*	*Shared*
2.3	*Accounts Payable*	*In-house*	*Shared*	*Shared*
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.

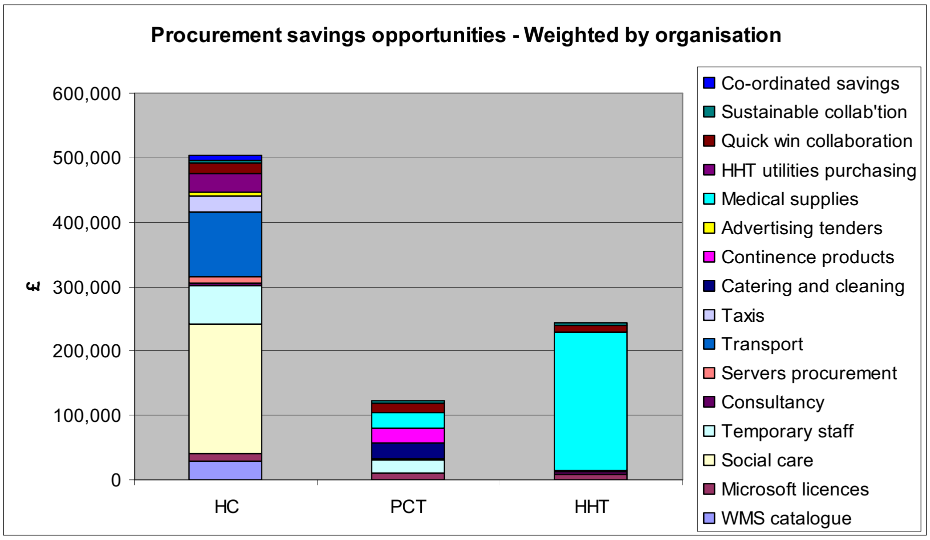
Contract management is a challenge for all organisations and it requires appropriate skills on the part of people letting and managing contracts; a suitable regime of targets and key performance indicators (KPIs); and governance which is appropriate to the strategic and cost impact of the contract.

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

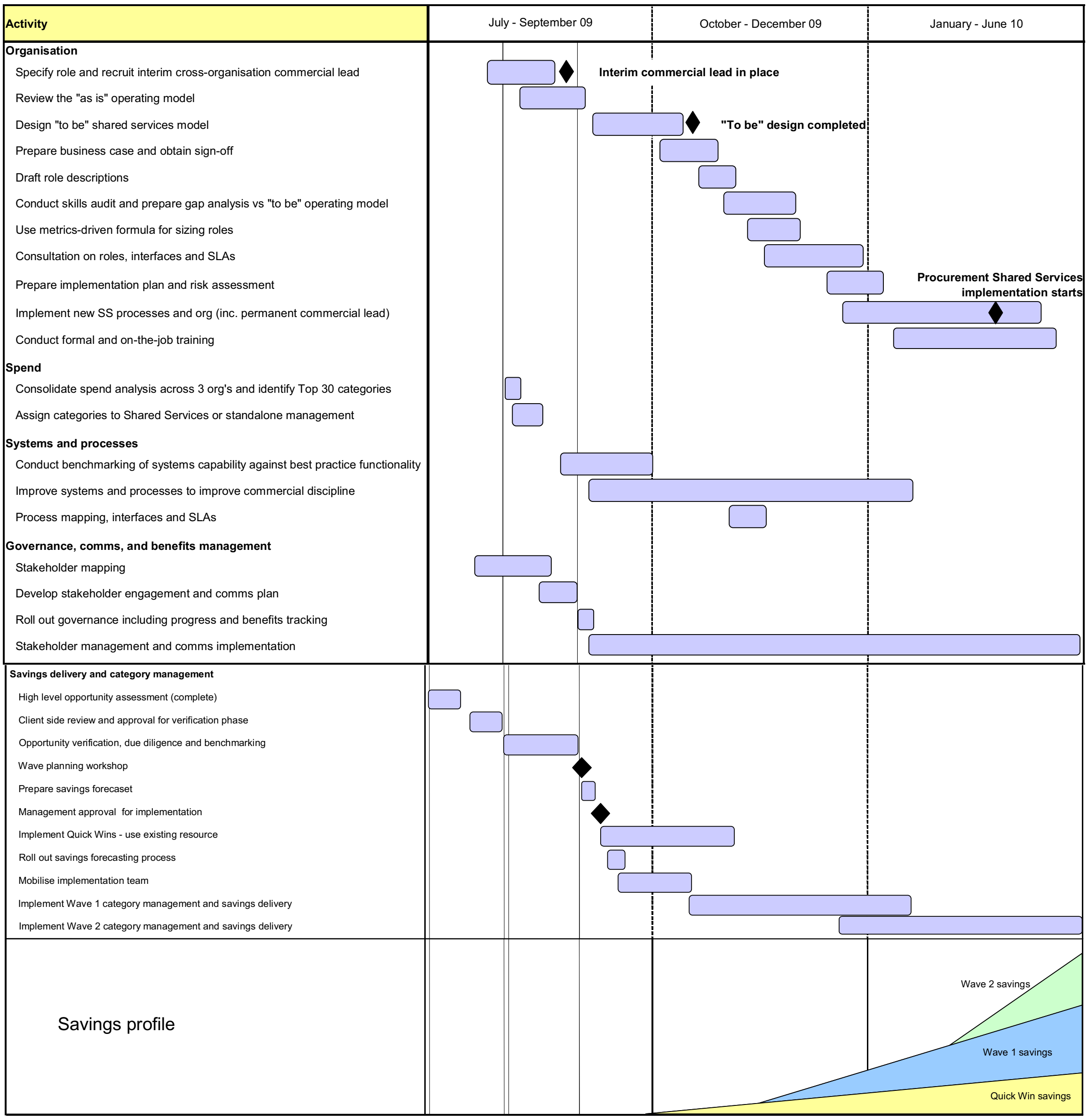
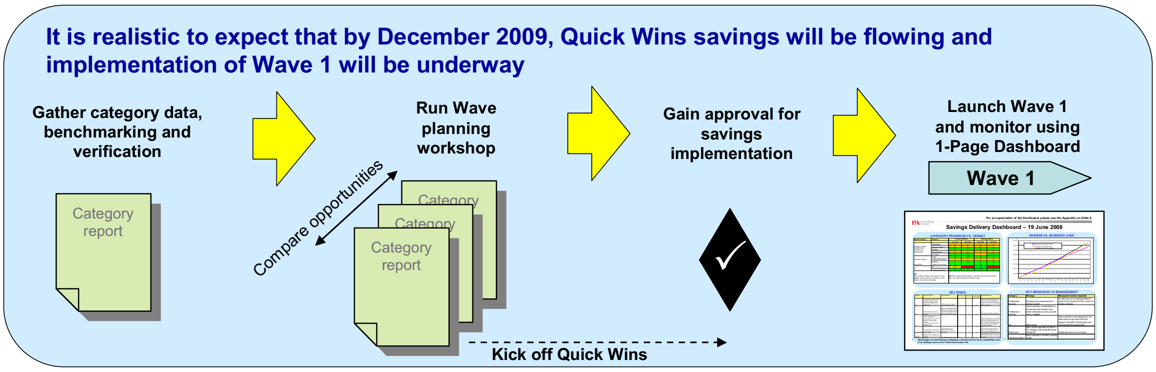


Figure 12: Realising quick wins



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%

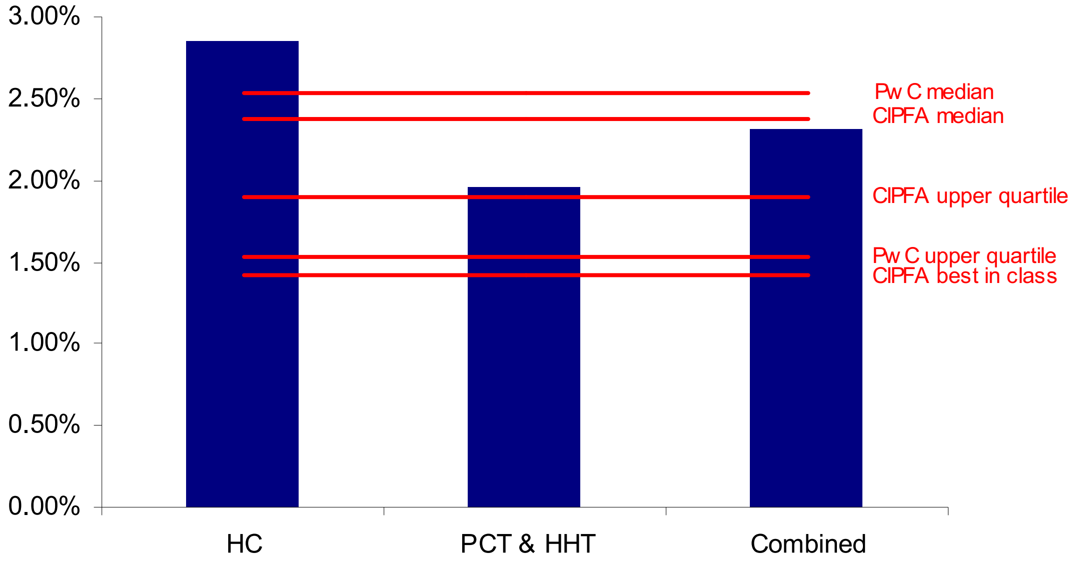
		Total			
		FTE	%	Total costs	%
2	**Finance**	**102.33**	**100.0%**	**£3,532,291**	**100.0%**
2.1	Financial Accounting	78.33	76.5%	£2,958,085	83.7%
2.2	Manage Revenue Cycle	6.20	6.1%	£178,904	5.1%
2.3	Accounts Payable	17.80	17.4%	£395,302	11.2%

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 performance[2].
- 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 integration[3] is achieved. This measure has a direct impact on timeliness and accuracy when closing the books.

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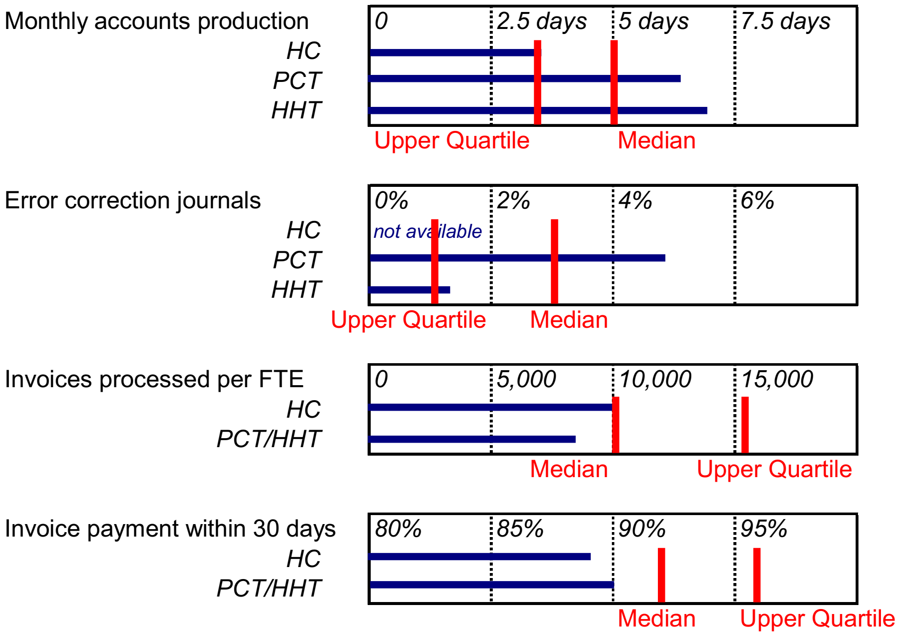
[2] Time to complete monthly consolidated financial statements: HC 3.5 days, PCT 6.5 days, HHT 7 days; AQPC median 5 days, upper quartile 3.5 days

[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 & HC[4]. 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 Authorities[5]. 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 peers[6]. 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 measure[7].
- Financial Accounting average staff costs seem high at HHT (£49k versus £29k and £31k at HC and PCT respectively[8]), 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.

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[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.

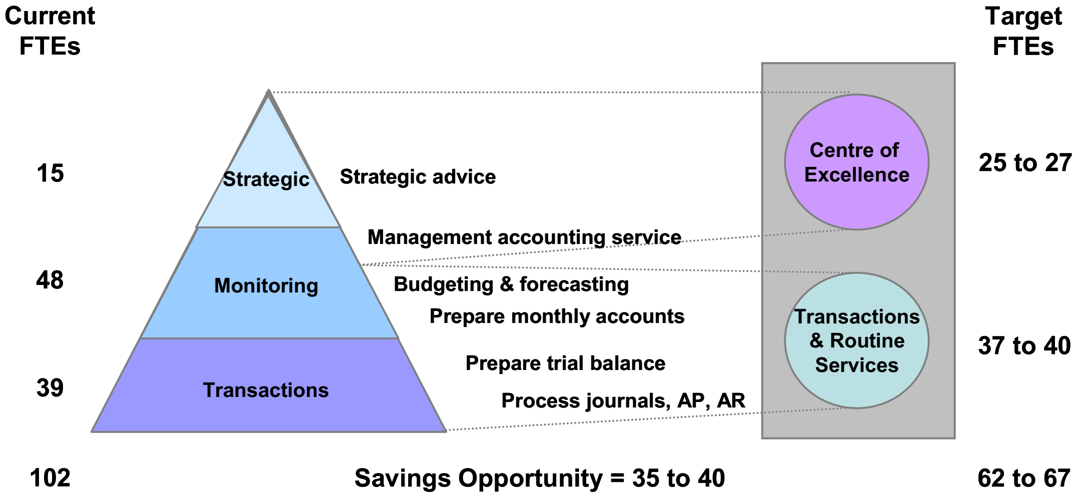
Figure 16: Performance gap to top-quartile Finance functions

	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.

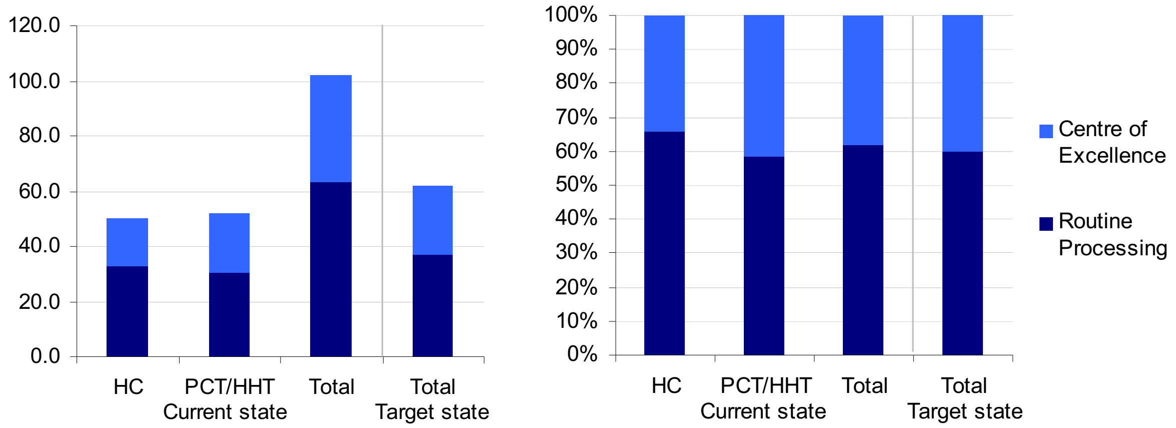
Under the proposed service delivery model, strategic advice to corporate centres and business units and other management accounting services would be provided by the Centre of Excellence; all other monitoring service lines would be incorporated with transaction processing in Transactions & Routine Services. 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 FTEs[9] (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).

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[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).

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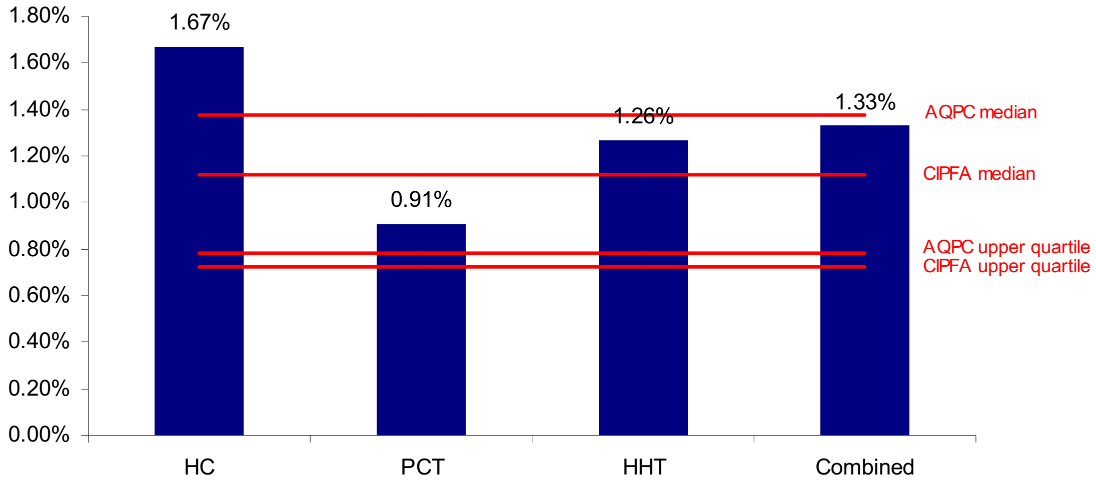
[11] AQPC uses a cross industry sample group. CPIFA uses a Local Authority sample group.

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



Note: Benchmarks from adapted from CIPFA and AQPC[12]

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.

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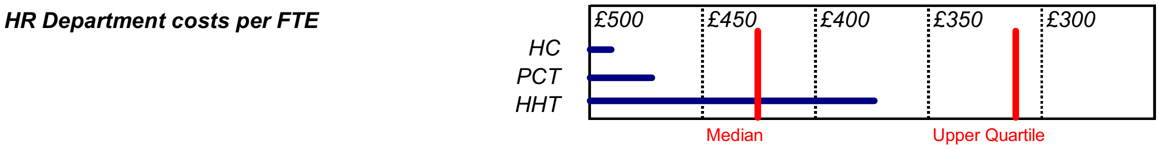
[12] Benchmarks have been adjusted to account for learning and development which has been excluded from the analysis. Based on Saratoga benchmarks a top performing HR function would have 0.25% of organisational FTEs delivering Learning and Development.

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



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

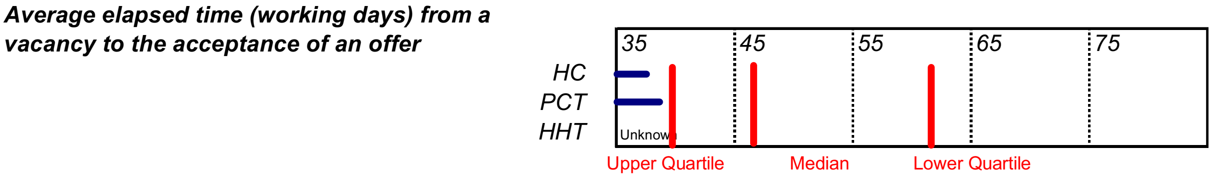


Table 2: HR Performance Indicators

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.

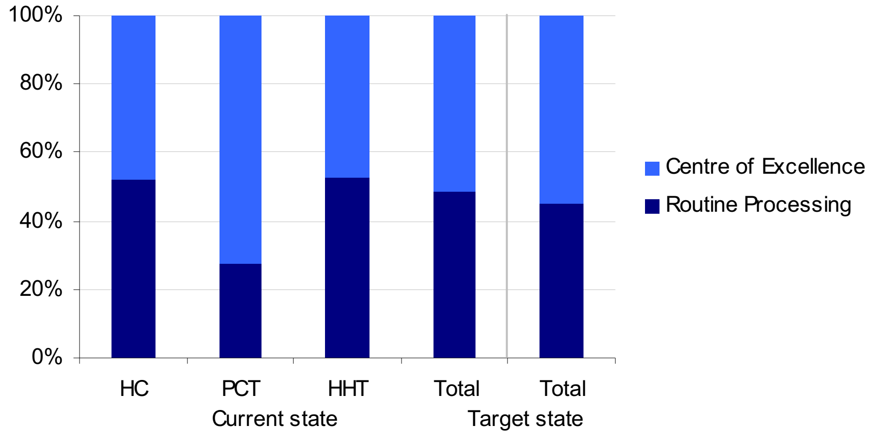
Figure 23: Performance gap to top-quartile HR functions

	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

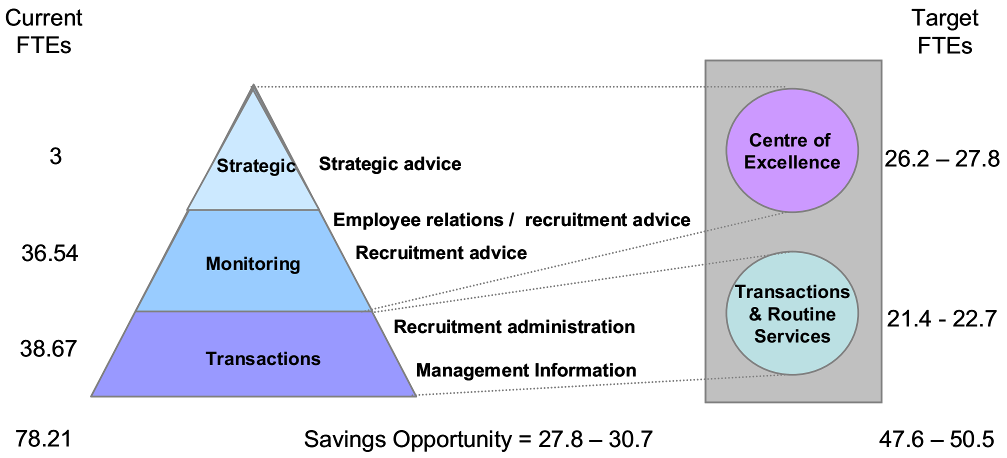


Realising improvements

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 FTEs[13]. 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.

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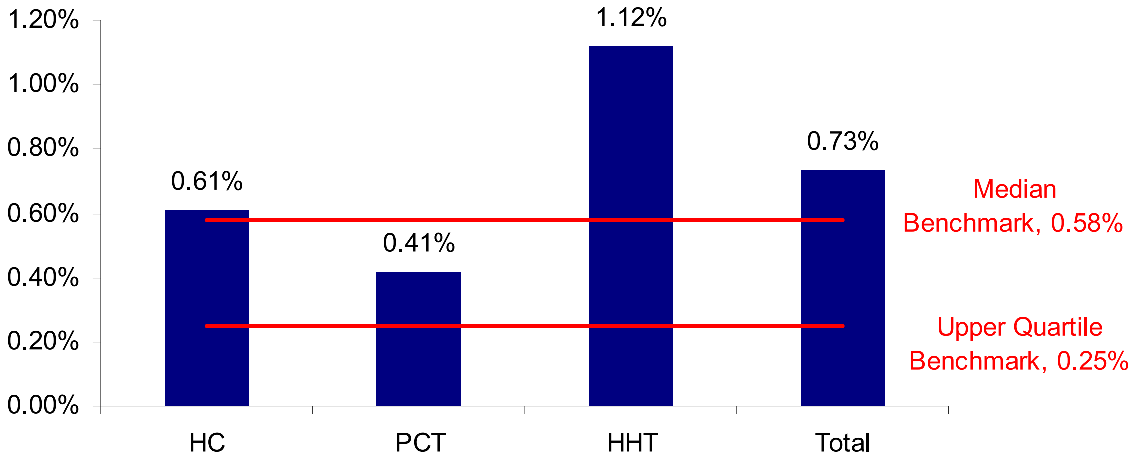
[13] The PCT training department consist of 42 FTEs. We have focused on the 5 FTEs who provide training services within the PCT.

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

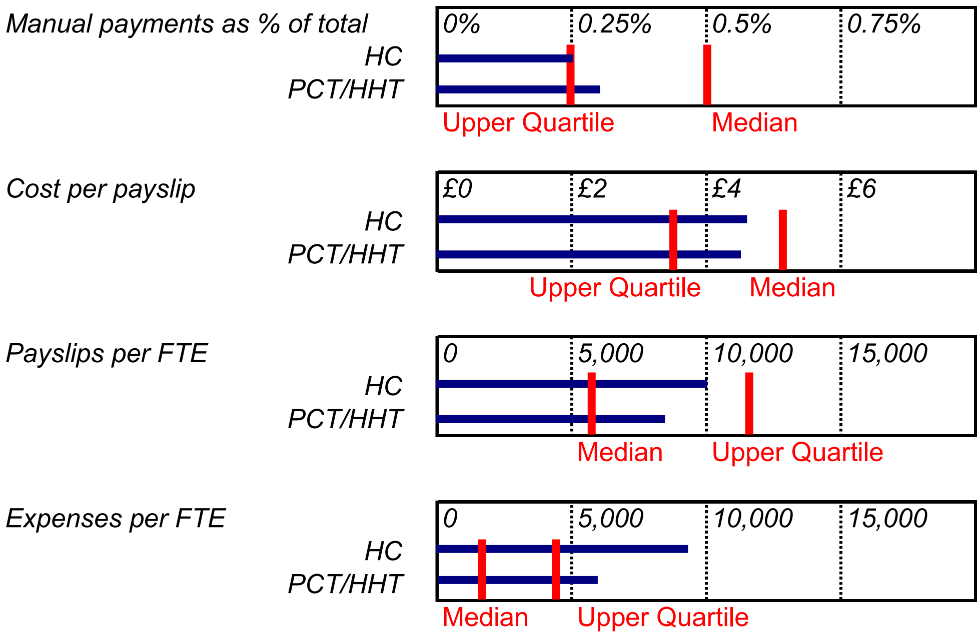
The two Payroll teams (HHT provides the payroll service for the PCT) account for 21 FTEs, or 4% of all the in-scope services.

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-quartile[14]) 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 performance[15]; while the 'Expenses per FTE' measure shows performance well into the top-quartile[16]. 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-quartile[17] 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.

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[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 point[18], 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.

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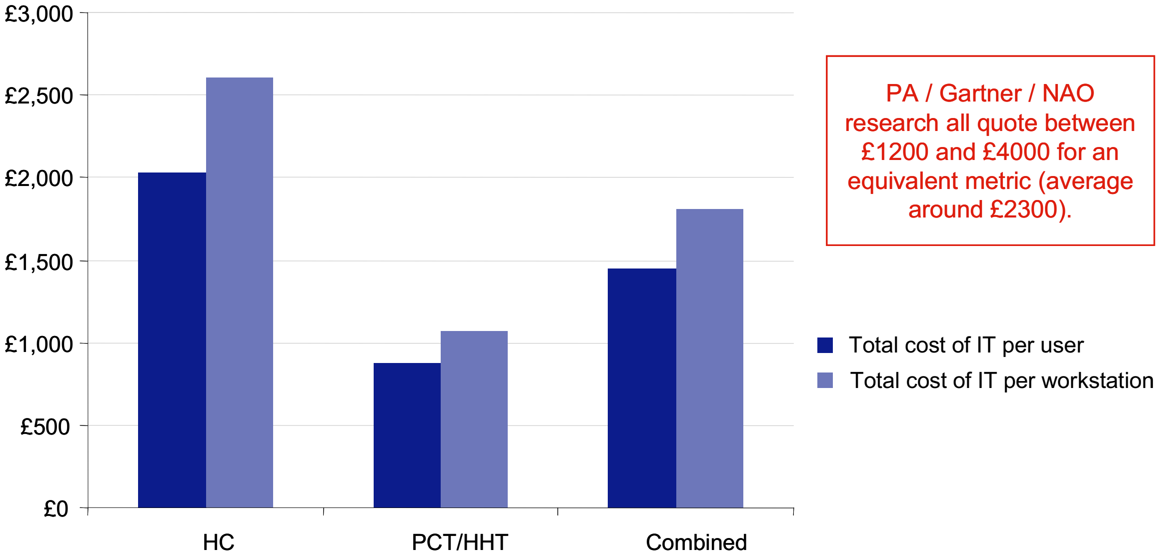
[18] VFM-P1: Cost of the ICT function as a % of organisational expenditure: 1.6% [CIFPA comparator group 2.7%] & VFM-S1a/b: Cost of providing support: a) Per user: £748 [£963] b) per workstation £748 [£906]

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 service[19] and meeting service level agreements[20]. 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.

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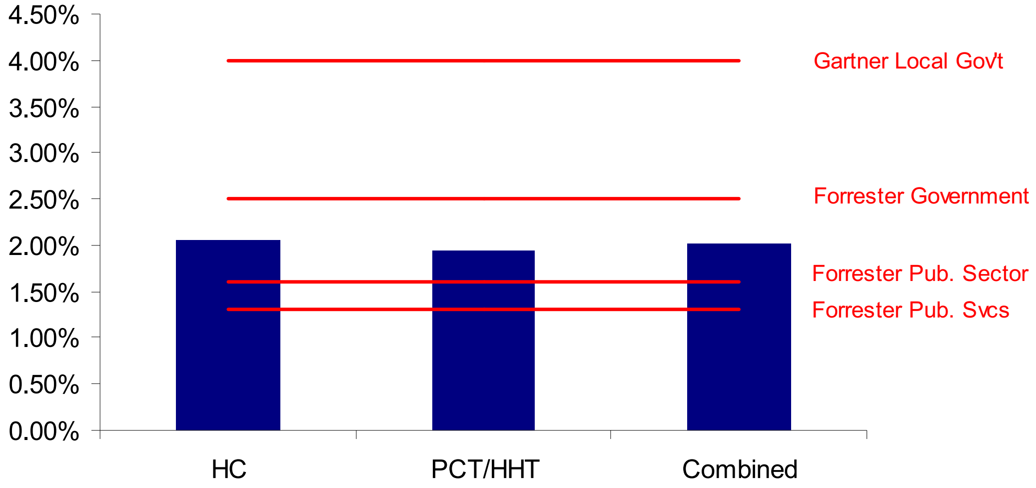
[19] VFM-S3: Unavailability of ICT services to users: 0.96% [CIPFA comparator group 0.50%]

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

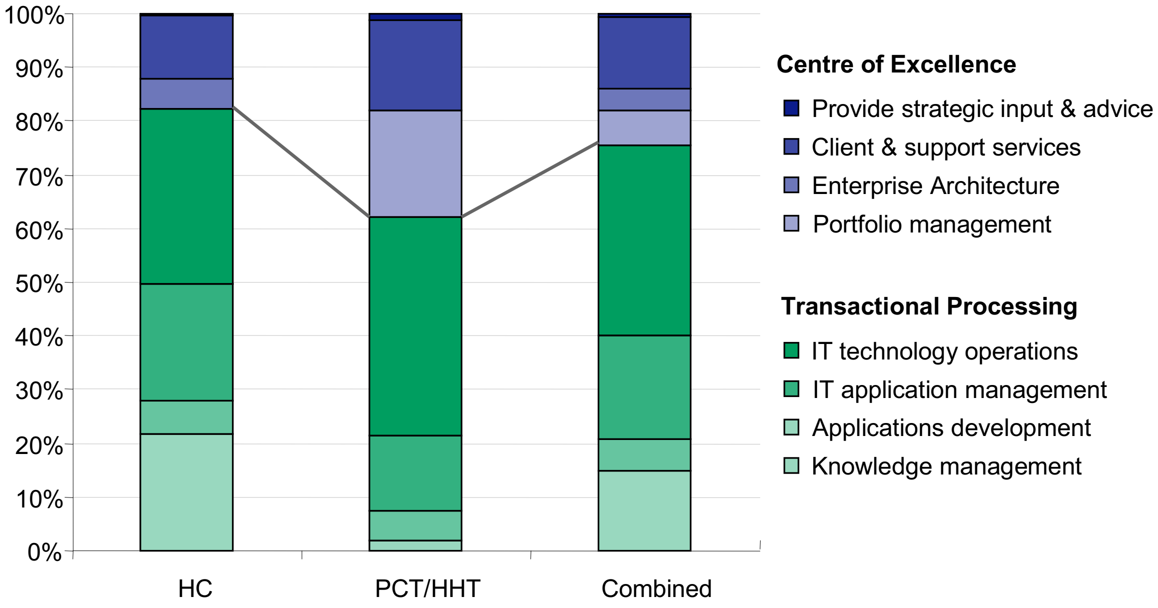
Figure 31: ICT FTEs as a % of whole organisation FTEs



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

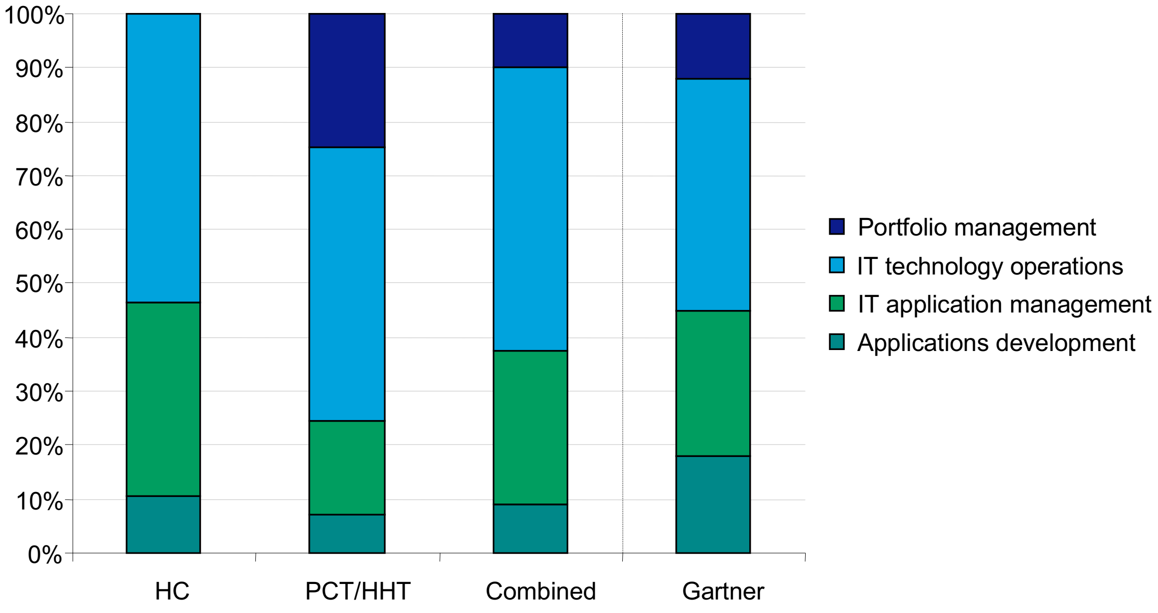
The ratio of Centre of Excellence to Routine Processing service lines (in terms of FTEs) currently has a different shape in HC and PCT/HHT (see Figure 32 below). Centre of Excellence service lines form a greater proportion in PCT/HHT because of the existing Portfolio Management function. The Centre of 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 COPRROP 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**
Retained Org	*11.3*	*2.3*	*0.9*	*14.4*	*£489,071*	*£67,426*	*£45,856*	***£602,353***
Outsourced	*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**
Retained Org	*8.5*	*1.7*	*0.7*	*10.8*	*£366,803*	*£50,569*	*£34,392*	***£451,765***
Outsourced	*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.

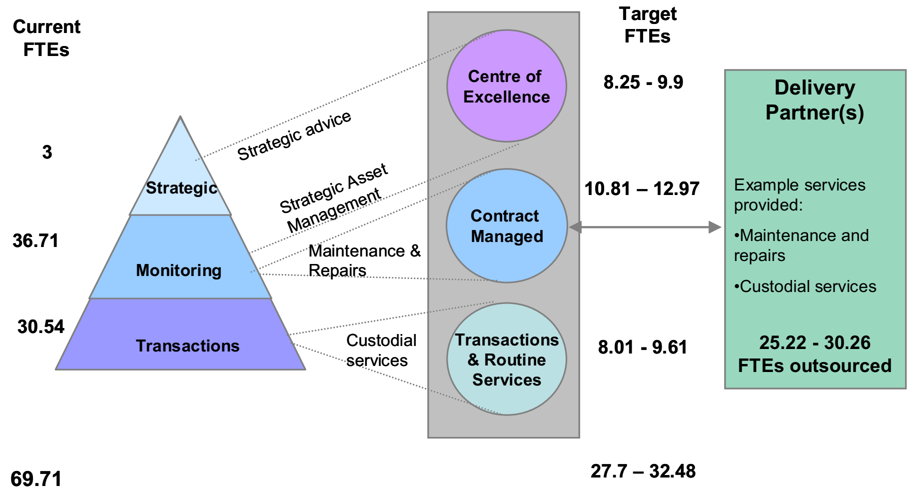
Of the three partners, HC would see the biggest reduction in FTEs; 6 to 14 FTEs equating to £236k-£590k, the majority of which would come from the contract management service lines.

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.

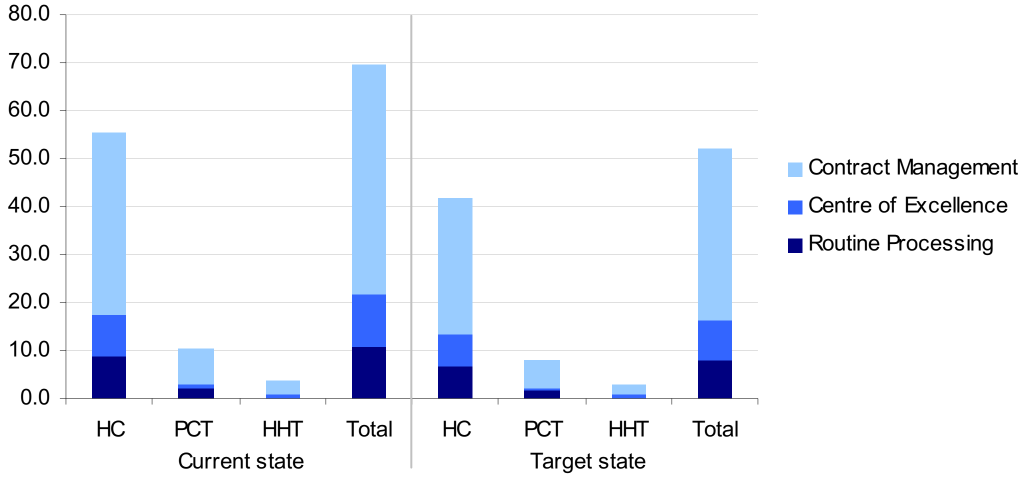
Figure 37: Size of current and target state Estates functions



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

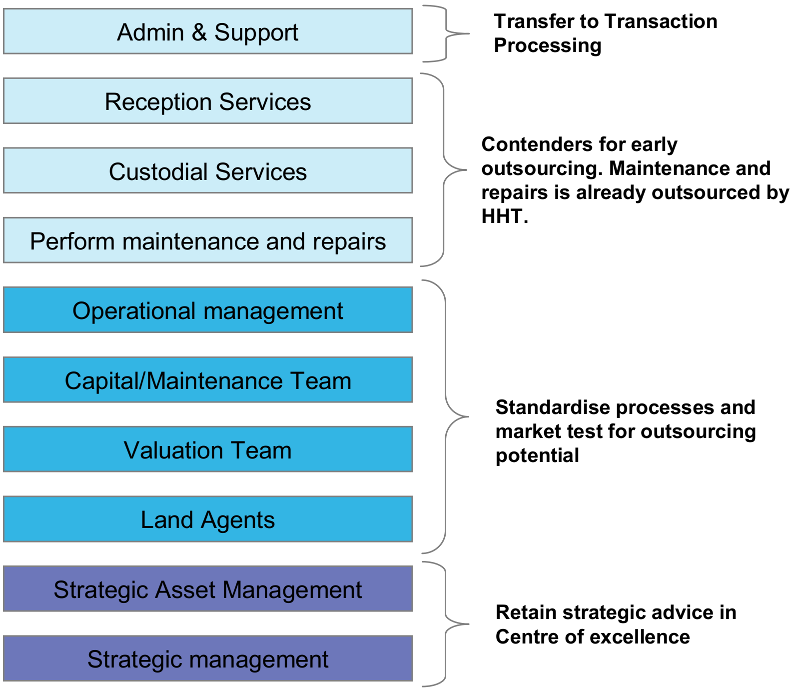
Savings can be achieved by undertaking a bottom-up review of the estates function to improve processes and simplify and standardise activities across the partners.

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

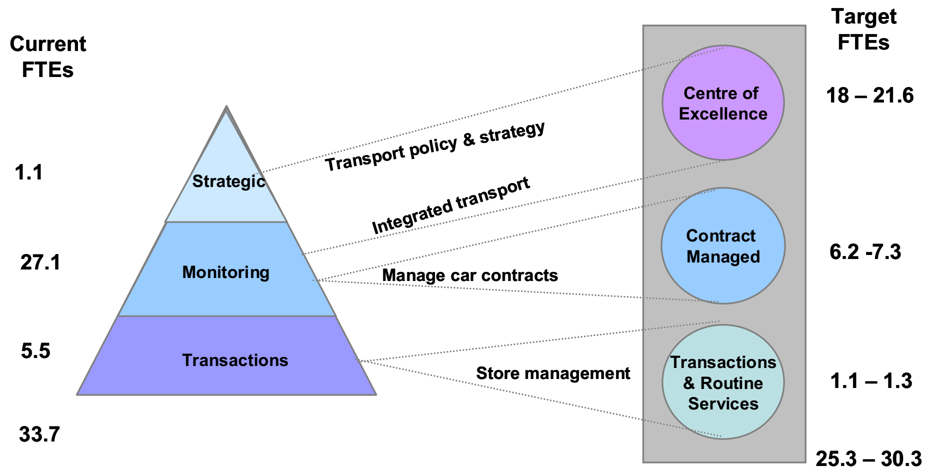
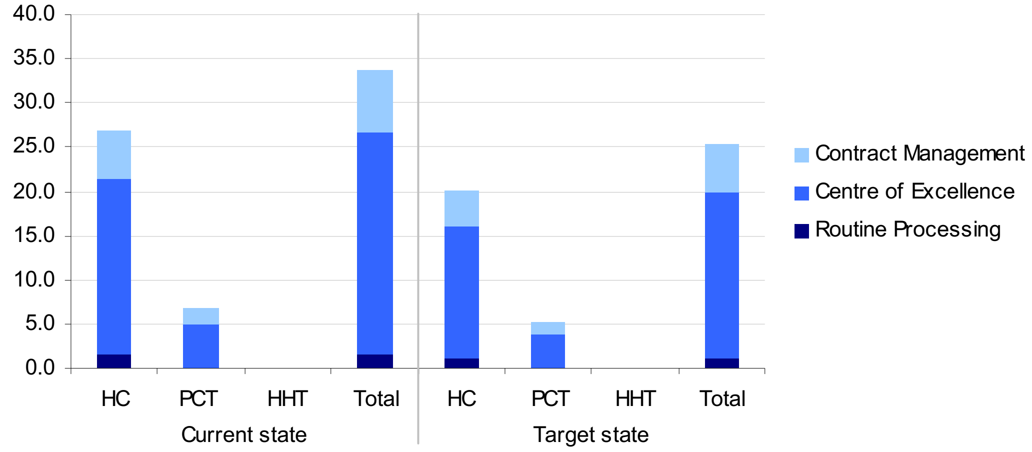


Figure 43: Size and shape of current and target state Transport functions



Realising improvements

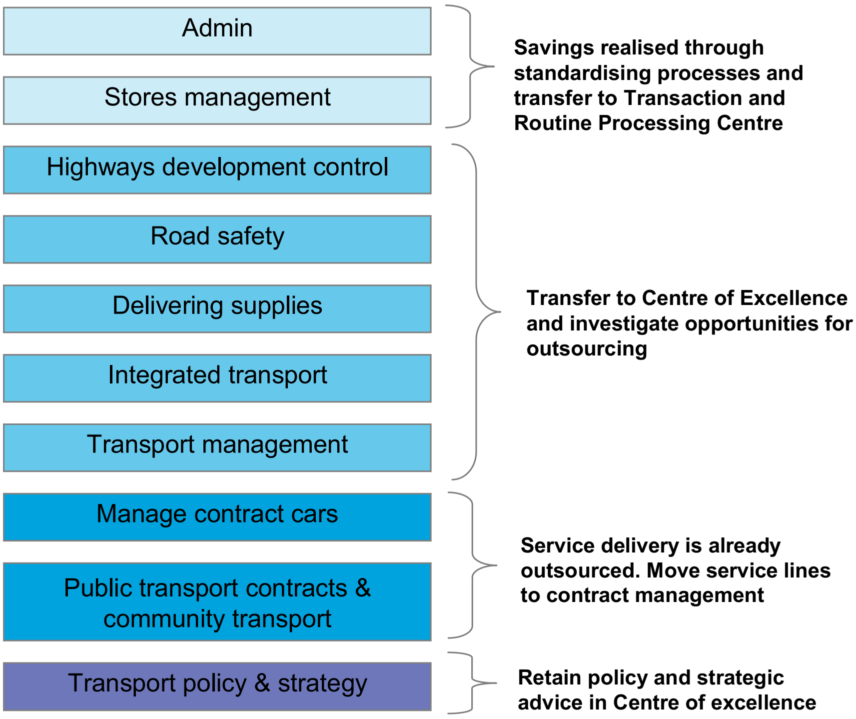
A detailed process improvement programme is likely to realise savings of 10-15% but will also help identify further opportunities for service line standardisation or outsourcing. Monitoring activities including road safety and highways development control could potentially be outsourced in the future 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



Savings realised through standardising processes and transfer to Transaction and Routine Processing Centre

Transfer to Centre of Excellence and investigate opportunities for outsourcing

Service delivery is already outsourced. Move service lines to contract management

Retain policy and strategic advice in Centre of excellence

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 Authorities[22], placing the function in the lower quartile. While staff costs per auditor are marginally below average[23], 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 Authorities[24].

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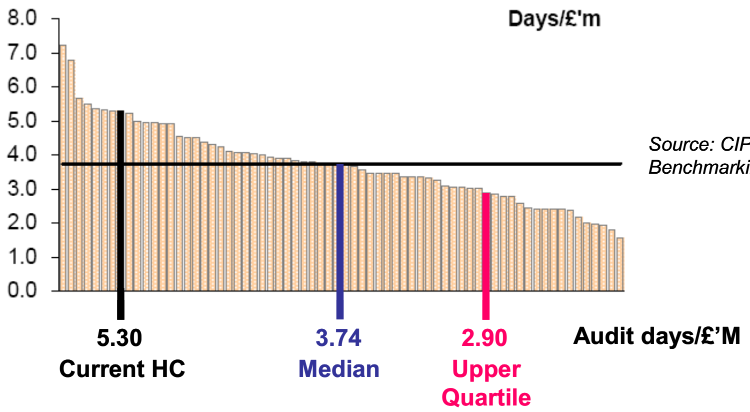
[21] Audit plan days includes schools

[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



Source: CIPFA Audit Benchmarking Club 2009

Option A In-house	1793	1265	981	**Audit days**
	£389k	£275k	£213k	**HC service cost**
	Current FTEs: 10	£114k	£176k	**Potential in-house £' saving**
		3	4.5	**Potential in-house FTE saving**

Option B Outsource	981	**Target Audit days**
	£391/day	**Outsource service cost/day**
	£383k	**Potential outsource cost for HC**

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	• No fixed contracts • 9 local suppliers used during 08/09	• 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 64.6[25] 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.

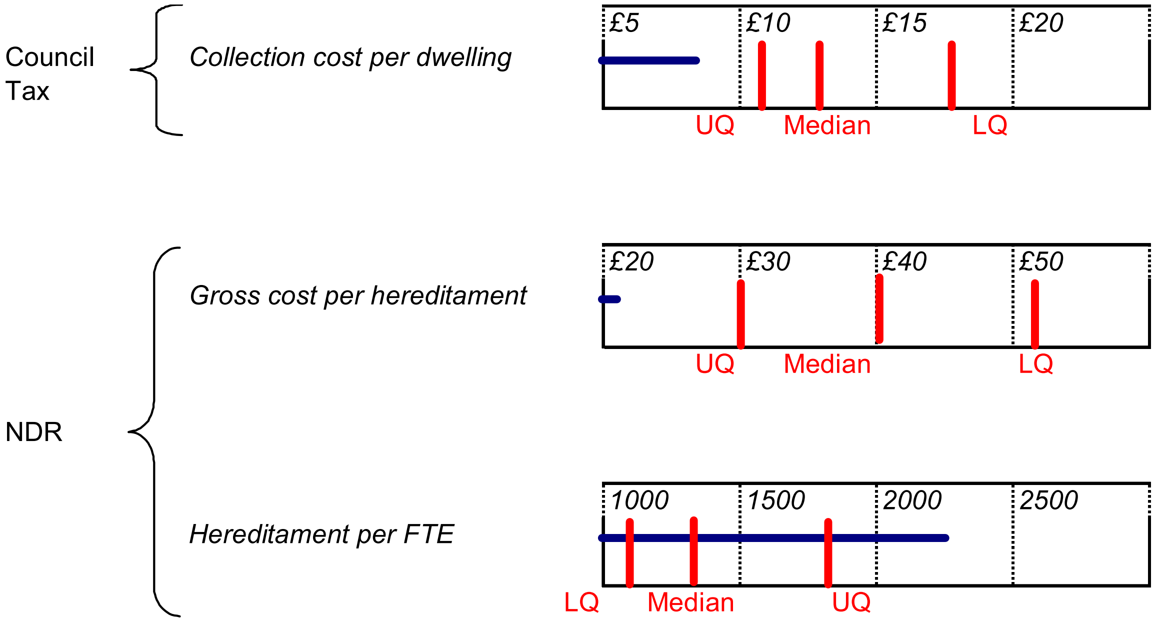
---

[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.

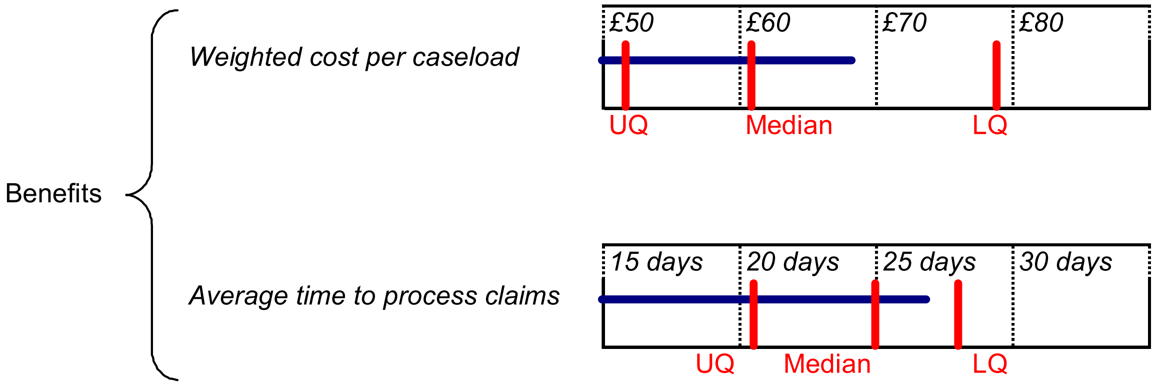
Although HC benefits from low salaries[26] the high performance suggests that good use is already being made of technology to automate processes.

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



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[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.

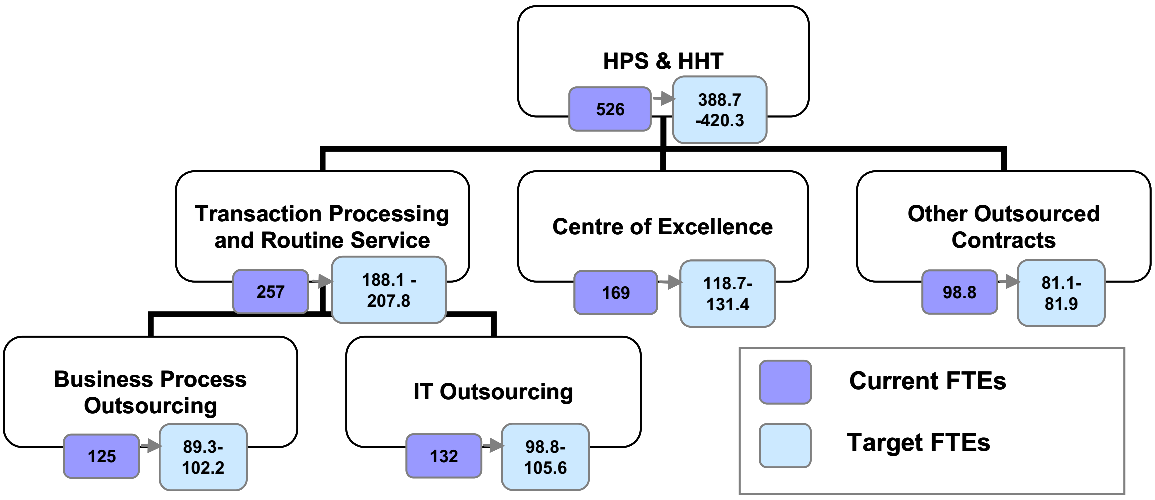
There are areas where savings will not be made by headcount reduction. For example, we are confident that the procurement function can quickly realise savings through improved procurement practices but may need to increase its strategic capability to do so.

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



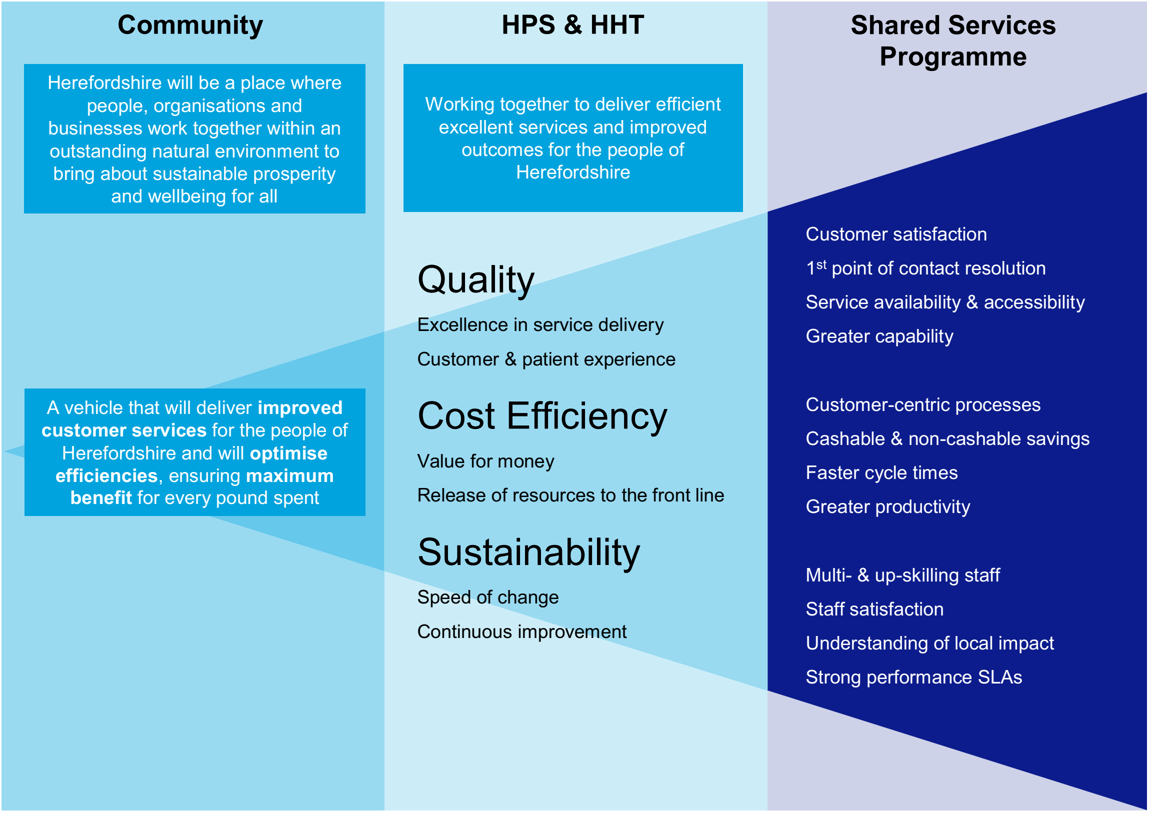
It can be seen that the reduction in FTEs is 104 to 140 at the top level, and:

- 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

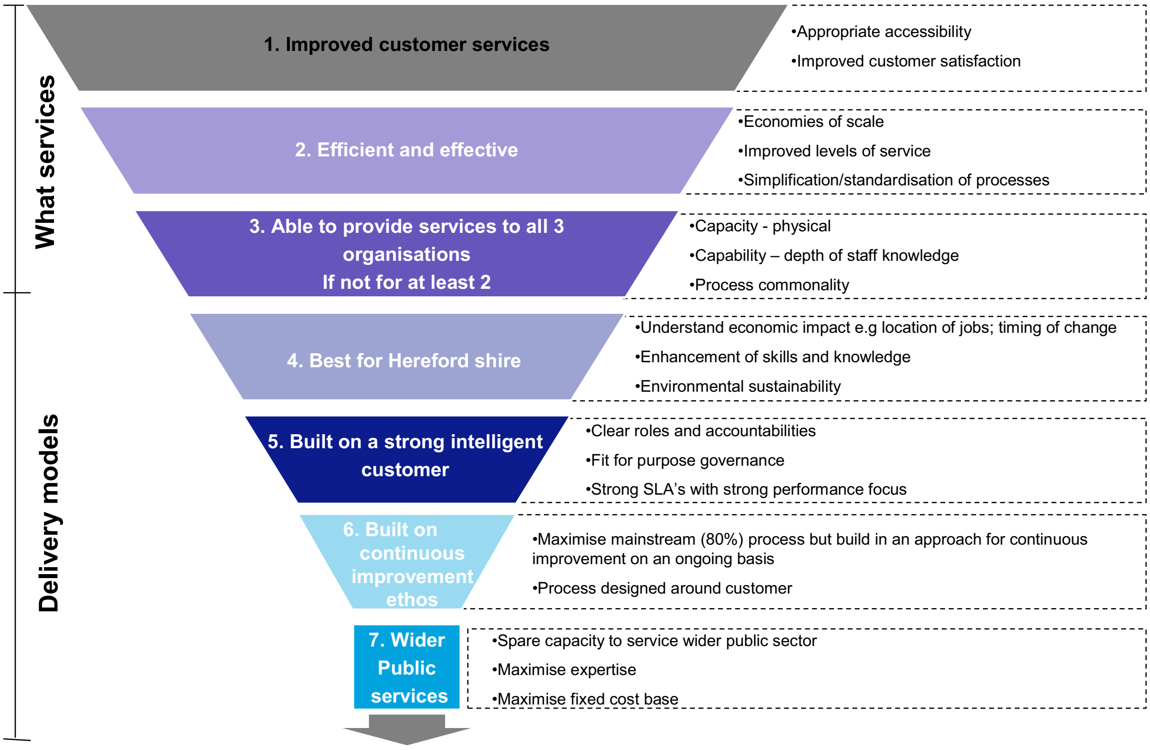
4.1 Design principles

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.

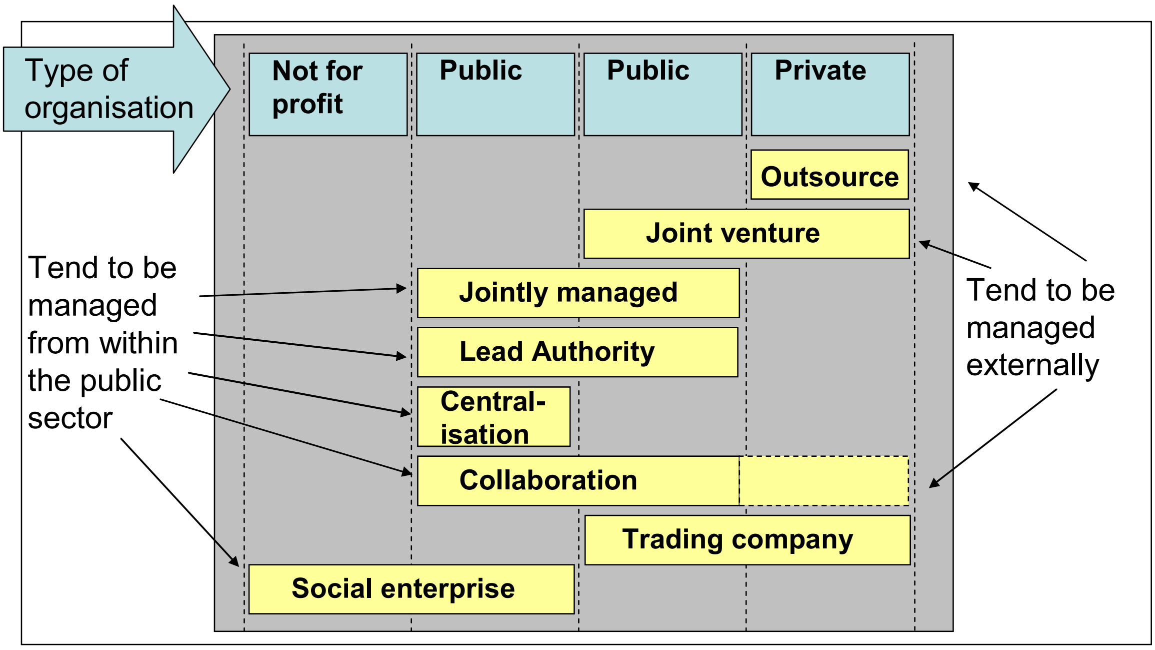
Levels four to seven help to assess the appropriateness of the possible delivery models. For example, level four assesses whether or not a model will provide environmental sustainability, enhancement of skills and knowledge, and capacity in order to deliver the best for Herefordshire. If these factors 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.

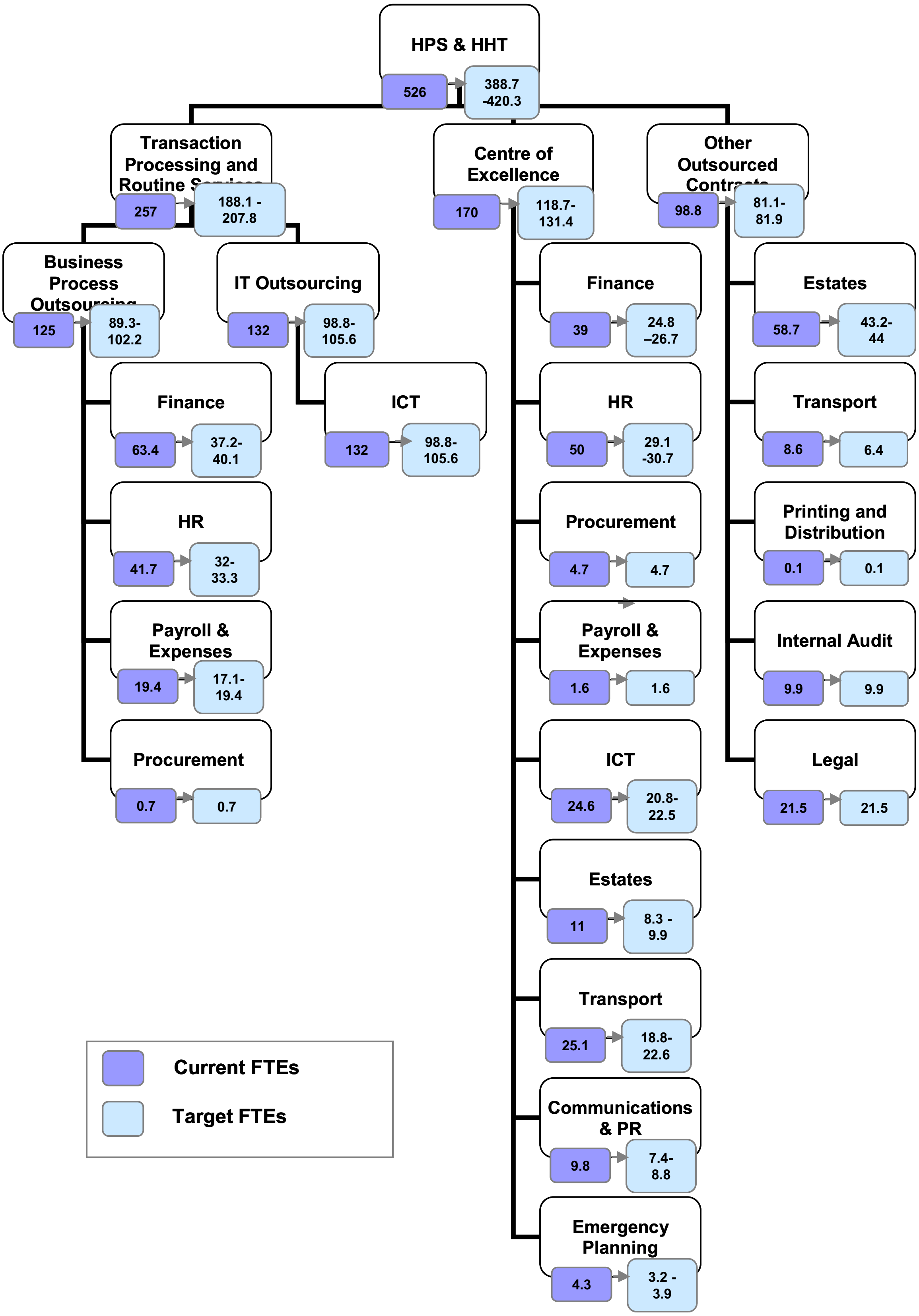
Typically contract management services are retained in-house.

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



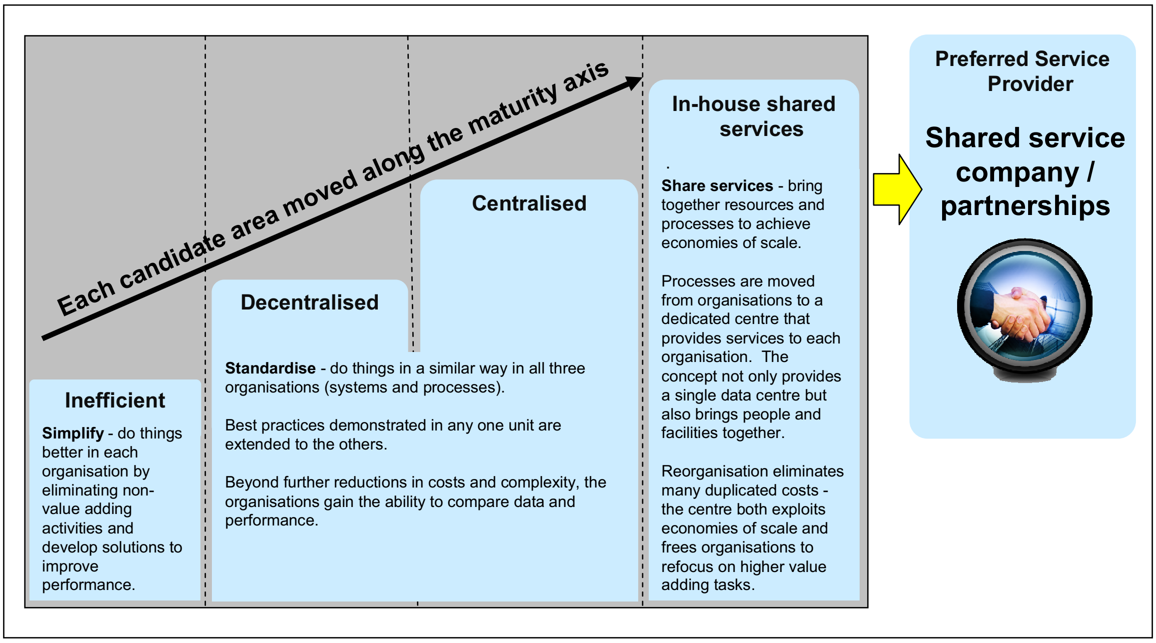
4.5 Maturity model

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



Simplify - do things better in each organisation by eliminating non-value adding activities and develop solutions to improve performance.

Standardise - do things in a similar way in all three organisations (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 data 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.

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

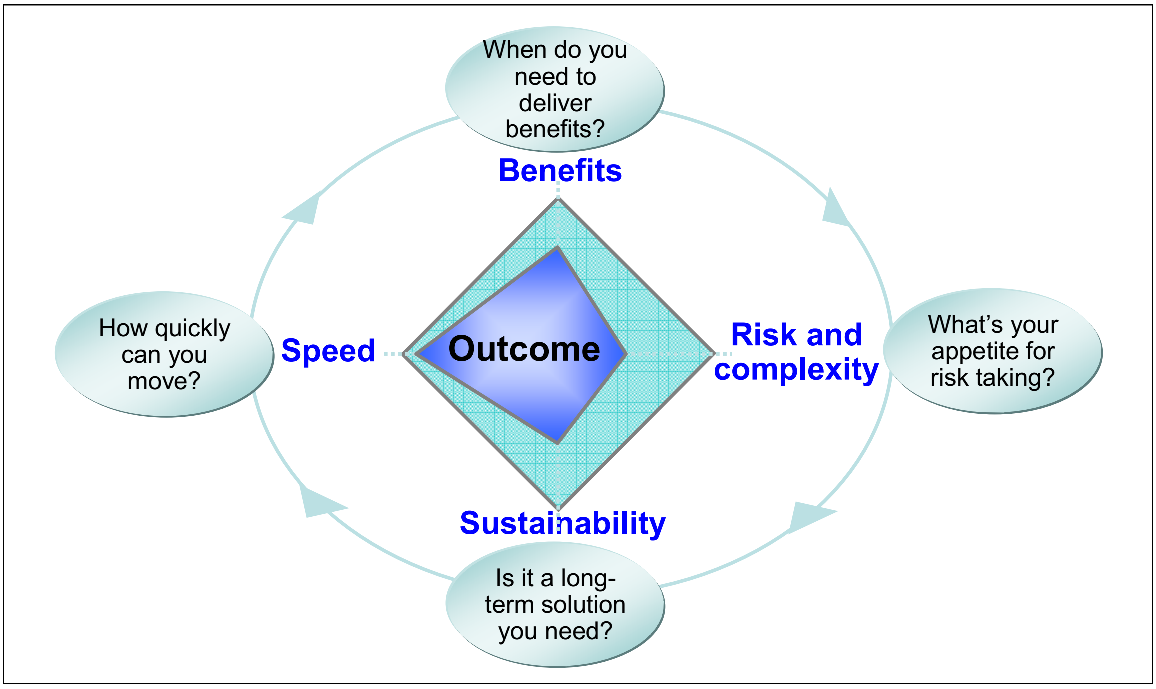
extended to the others. Beyond further reductions in costs and complexity, the organisations gain the ability to compare data and performance

- **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	Avge 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:

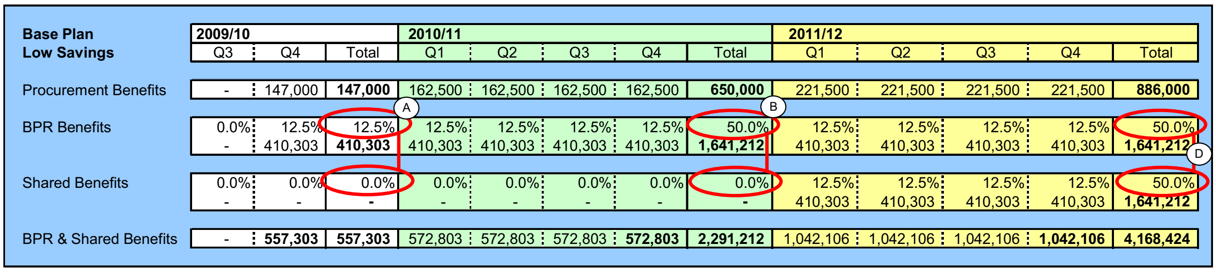
- **Low Benefit, Low Costs:** matching the lower level of expected benefits to the low-cost resource plan, assuming no external resource will be required
- **Low Benefit, High Costs:** matching the lower level of expected benefits to the higher-cost resource plan, assuming external resource and specialist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

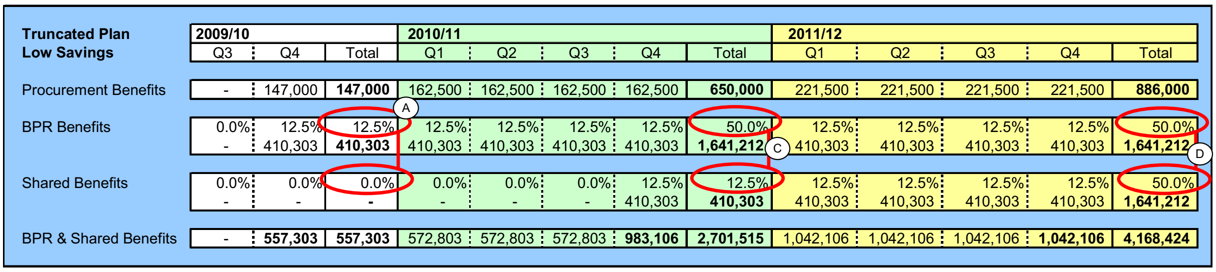
5.1.2 Timing of savings

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	**2009/10**			**2010/11**					**2011/12**				
Low Savings	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% 410,303	12.5% **410,303**	12.5% 410,303	12.5% 410,303	12.5% 410,303	12.5% 410,303	50.0% **1,641,212**	12.5% 410,303	12.5% 410,303	12.5% 410,303	12.5% 410,303	50.0% **1,641,212**
Shared Benefits	0.0% -	0.0% -	0.0% **-**	0.0% -	0.0% -	0.0% -	0.0% -	0.0% **-**	12.5% 410,303	12.5% 410,303	12.5% 410,303	12.5% 410,303	50.0% **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	**2009/10**			**2010/11**					**2011/12**				
Low Savings	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% 410,303	12.5% **410,303**	12.5% 410,303	12.5% 410,303	12.5% 410,303	12.5% 410,303	50.0% **1,641,212**	12.5% 410,303	12.5% 410,303	12.5% 410,303	12.5% 410,303	50.0% **1,641,212**
Shared Benefits	0.0% -	0.0% -	0.0% **-**	0.0% -	0.0% -	0.0% -	12.5% 410,303	12.5% **410,303**	12.5% 410,303	12.5% 410,303	12.5% 410,303	12.5% 410,303	50.0% **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.

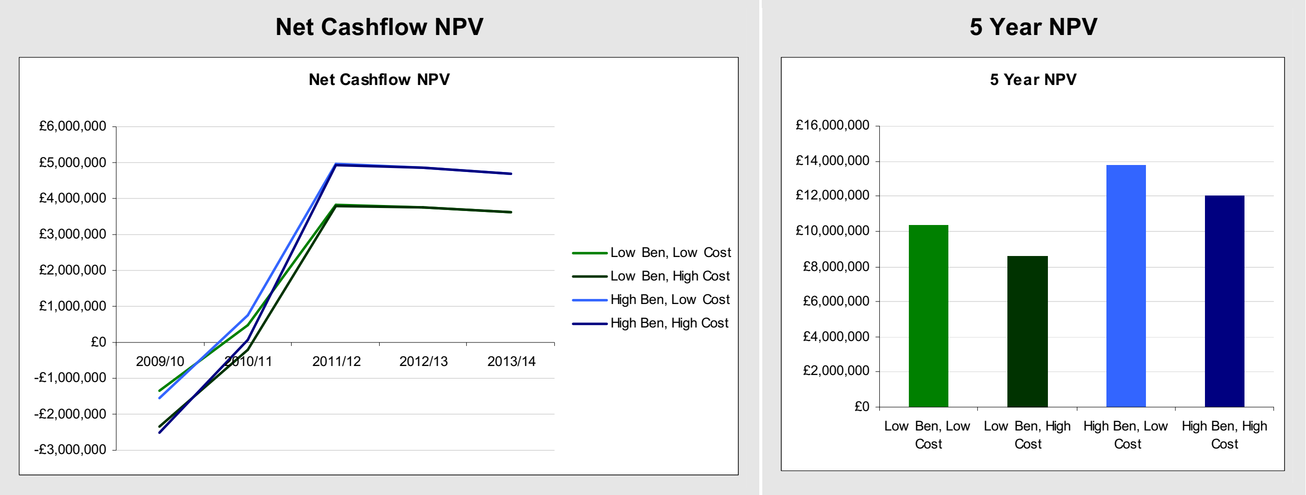
5.1.3 Discount rates and time horizons

We have used a 3.5% discount rate to calculate NPV scenarios, as recommended by HM Treasury[27] 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 Cash Flow Values for each Scenario

	2009/10	2010/11	2011/12	2012/13	2013/14		5 Year NPV
Low Ben, Low Cost	-£1,355,684	£476,739	£3,830,777	£3,759,680	£3,632,541		£10,344,051
Low Ben, High Cost	-£2,349,787	-£212,966	£3,788,115	£3,759,680	£3,632,541		£8,617,582
High Ben, Low Cost	-£1,539,434	£741,625	£4,970,672	£4,861,028	£4,696,645		£13,730,537
High Ben, High Cost	-£2,533,537	£51,921	£4,928,011	£4,861,028	£4,696,645		£12,004,068

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.

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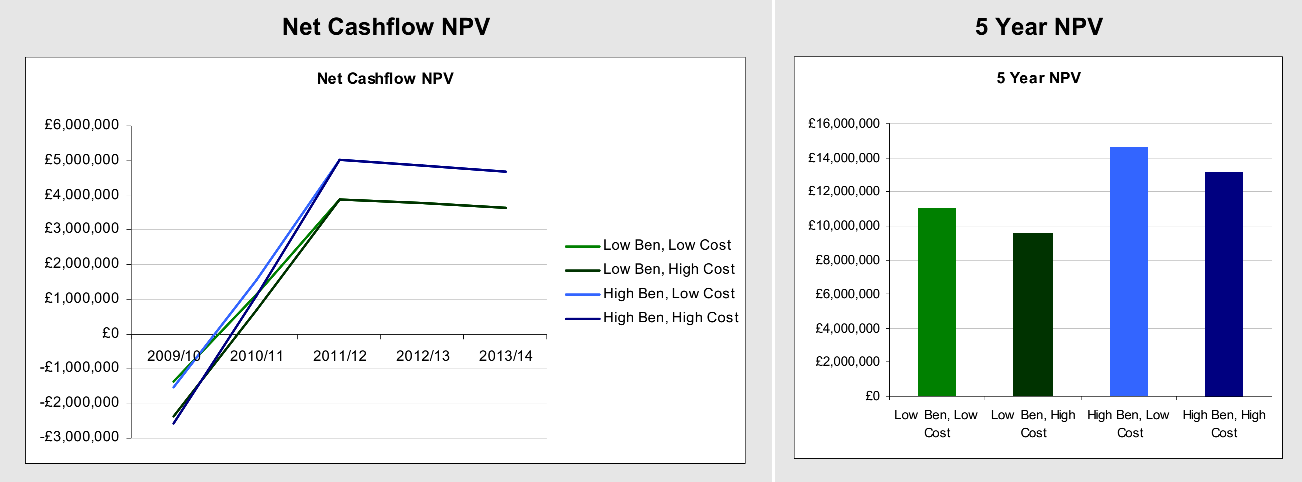
[27] HM Treasury Green Book 2003, page v

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



Net Cashflow NPV

5 Year NPV

Cumulative Cash Flow Values for each Scenario

	2009/10	2010/11	2011/12	2012/13	2013/14		5 Year NPV
Low Ben, Low Cost	-£1,371,684	£1,141,379	£3,891,268	£3,759,680	£3,632,541		£11,053,183
Low Ben, High Cost	-£2,385,869	£684,274	£3,891,268	£3,759,680	£3,632,541		£9,581,893
High Ben, Low Cost	-£1,555,434	£1,553,739	£5,031,164	£4,861,028	£4,696,645		£14,587,143
High Ben, High Cost	-£2,569,619	£1,096,634	£5,031,164	£4,861,028	£4,696,645		£13,115,852

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		Difference		% change		Sensitivity
					FTE	£	FTE	£	FTE	£	
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.

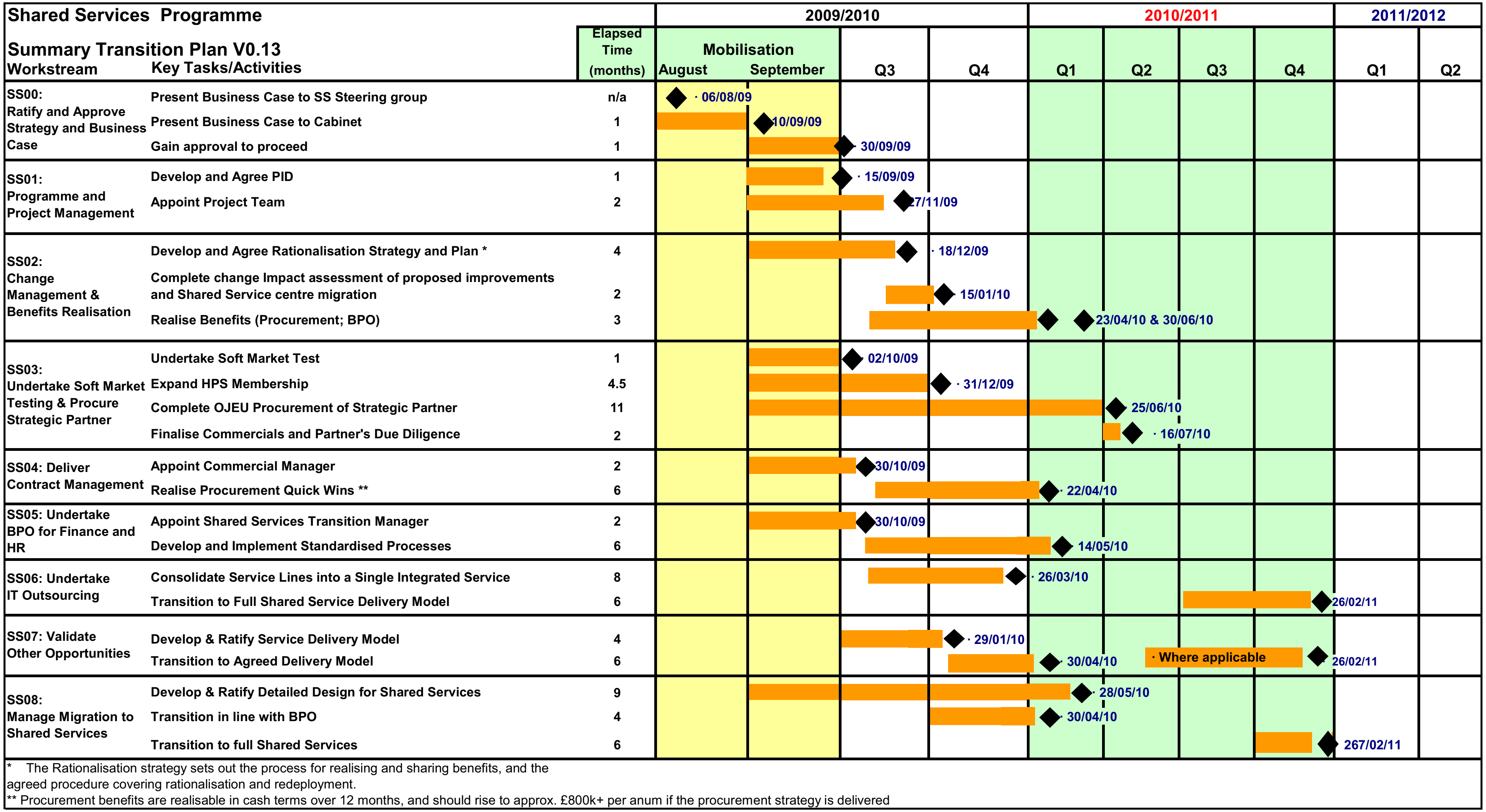
7 Transition

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			2009/2010				2010/2011				2011/2012	
Summary Transition Plan V0.13		Elapsed Time (months)	Mobilisation									
Workstream	Key Tasks/Activities		August	September	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
SS00: Ratify and Approve Strategy and Business Case	Present Business Case to SS Steering group	n/a	06/08/09									
	Present Business Case to Cabinet	1		10/09/09								
	Gain approval to proceed	1			30/09/09							
SS01: Programme and Project Management	Develop and Agree PID	1			15/09/09							
	Appoint Project Team	2			27/11/09							
SS02: Change Management & Benefits Realisation	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 Testing & Procure Strategic Partner	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 Commercials and Partner's Due Diligence	2						16/07/10				
SS04: Deliver Contract Management	Appoint Commercial Manager	2			30/10/09							
	Realise Procurement Quick Wins **	6					22/04/10					
SS05: Undertake BPO for Finance and HR	Appoint Shared Services Transition Manager	2			30/10/09							
	Develop and Implement Standardised Processes	6					14/05/10					
SS06: Undertake IT Outsourcing	Consolidate Service Lines into a Single Integrated Service	8					26/03/10					
	Transition to Full Shared Service Delivery Model	6								26/02/11		
SS07: Validate Other Opportunities	Develop & Ratify Service Delivery Model	4				29/01/10						
	Transition to Agreed Delivery Model	6					30/04/10	Where applicable		26/02/11		
SS08: Manage Migration to Shared Services	Develop & Ratify Detailed Design for Shared Services	9					28/05/10					
	Transition in line with BPO	4					30/04/10					
	Transition to full Shared Services	6									267/02/11	

* 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 anum 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

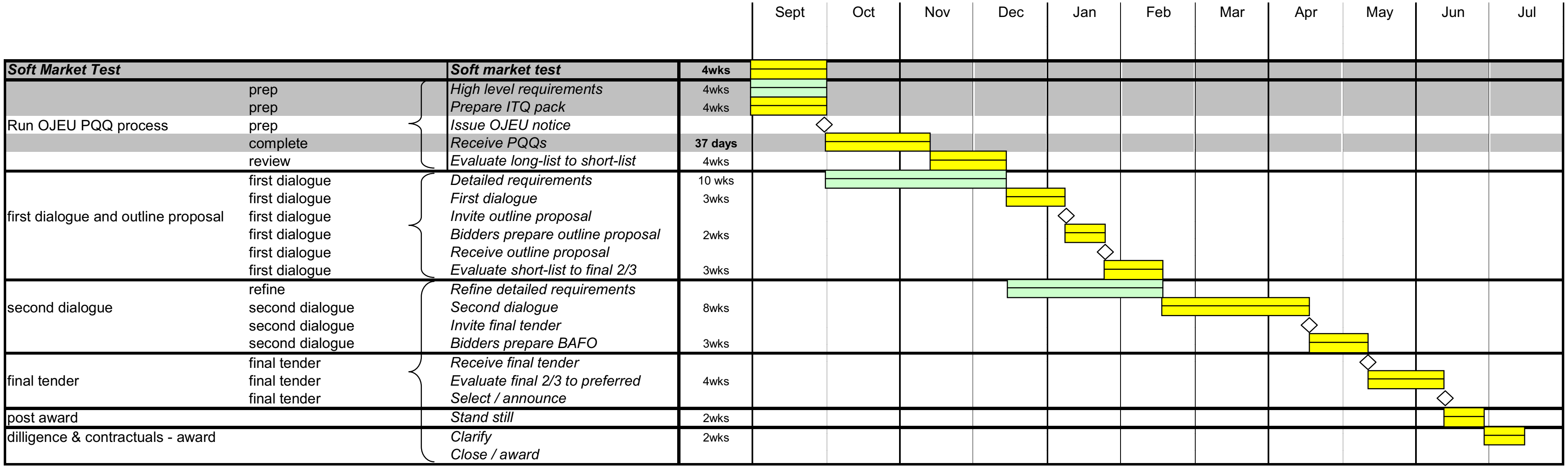
Introduction

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



Soft Market Test		***Soft market test***	**4wks**
	prep	*High level requirements*	4wks
	prep	*Prepare ITQ pack*	4wks
Run OJEU PQQ process	prep	*Issue OJEU notice*	
	complete	*Receive PQQs*	**37 days**
	review	*Evaluate long-list to short-list*	4wks
	first dialogue	*Detailed requirements*	10 wks
	first dialogue	*First dialogue*	3wks
first dialogue and outline proposal	first dialogue	*Invite outline proposal*	
	first dialogue	*Bidders prepare outline proposal*	2wks
	first dialogue	*Receive outline proposal*	
	first dialogue	*Evaluate short-list to final 2/3*	3wks
	refine	*Refine detailed requirements*	
second dialogue	second dialogue	*Second dialogue*	8wks
	second dialogue	*Invite final tender*	
	second dialogue	*Bidders prepare BAFO*	3wks
	final tender	*Receive final tender*	
final tender	final tender	*Evaluate final 2/3 to preferred*	4wks
	final tender	*Select / announce*	
post award		*Stand still*	2wks
dilligence & contractuals - award		*Clarify*	2wks
		Close / award	

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)

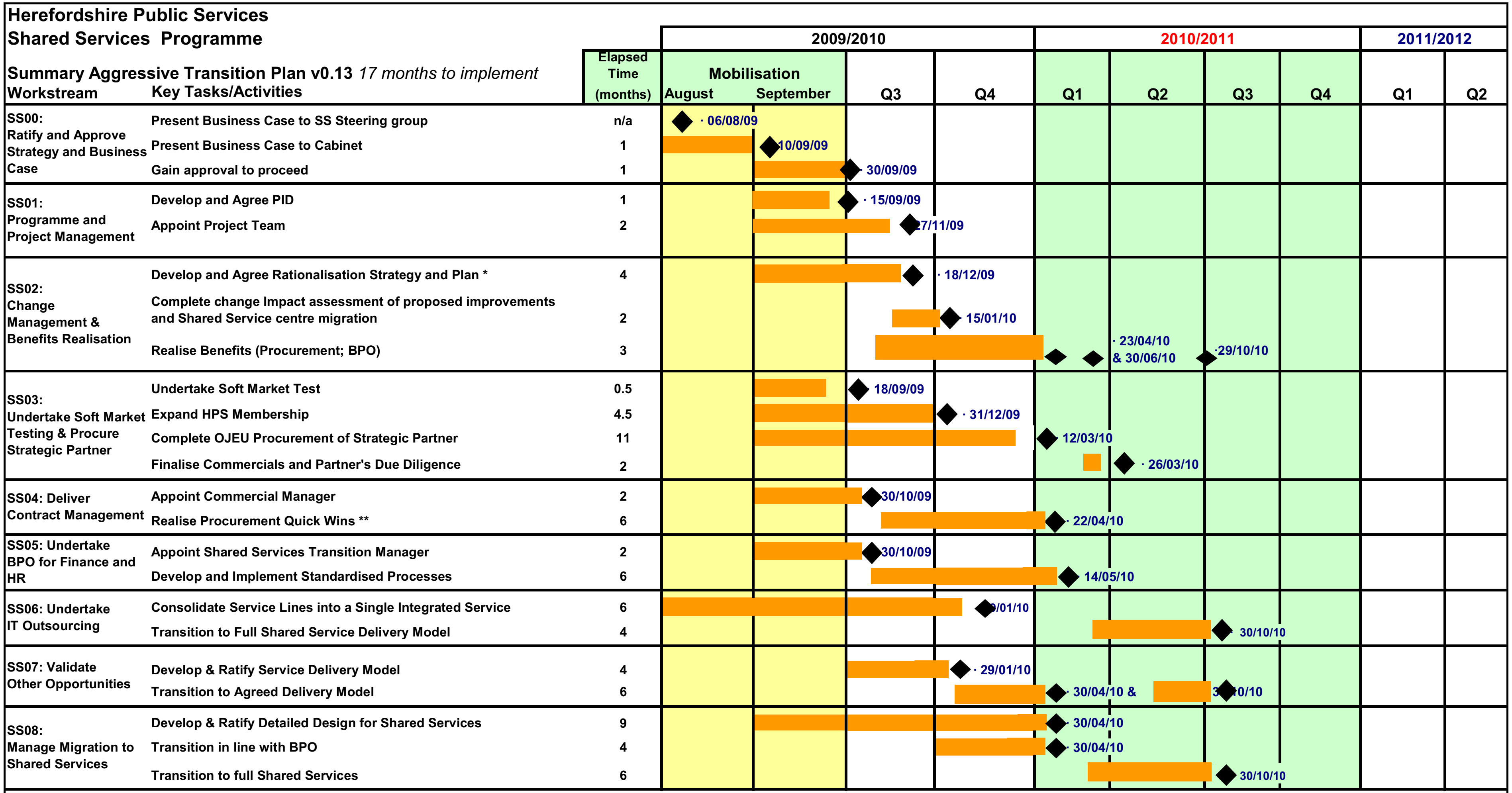
Following the statutory two week notification period, the partner will undertake a short period of ratification/ due diligence, during which the full and detailed commercial contracts will be drawn up, validated and signed.

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

Summary Aggressive Transition Plan v0.13 *17 months to implement*

Workstream	Key Tasks/Activities	Elapsed Time (months)	
SS00: Ratify and Approve Strategy and Business Case	Present Business Case to SS Steering group	n/a	· 06/08/09
	Present Business Case to Cabinet	1	10/09/09
	Gain approval to proceed	1	· 30/09/09
SS01: Programme and Project Management	Develop and Agree PID	1	· 15/09/09
	Appoint Project Team	2	27/11/09
SS02: Change Management & Benefits Realisation	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 ·29/10/10
SS03: Undertake Soft Market Testing & Procure Strategic Partner	Undertake Soft Market Test	0.5	18/09/09
	Expand HPS Membership	4.5	· 31/12/09
	Complete OJEU Procurement of Strategic Partner	11	12/03/10
	Finalise Commercials and Partner's Due Diligence	2	· 26/03/10
SS04: Deliver Contract Management	Appoint Commercial Manager	2	30/10/09
	Realise Procurement Quick Wins **	6	· 22/04/10
SS05: Undertake BPO for Finance and HR	Appoint Shared Services Transition Manager	2	30/10/09
	Develop and Implement Standardised Processes	6	· 14/05/10
SS06: Undertake IT Outsourcing	Consolidate Service Lines into a Single Integrated Service	6	0/01/10
	Transition to Full Shared Service Delivery Model	4	· 30/10/10
SS07: Validate Other Opportunities	Develop & Ratify Service Delivery Model	4	· 29/01/10
	Transition to Agreed Delivery Model	6	· 30/04/10 & 3 10/10
SS08: Manage Migration to Shared Services	Develop & Ratify Detailed Design for Shared Services	9	· 30/04/10
	Transition in line with BPO	4	· 30/04/10
	Transition to full Shared Services	6	30/10/10

* 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 anum 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

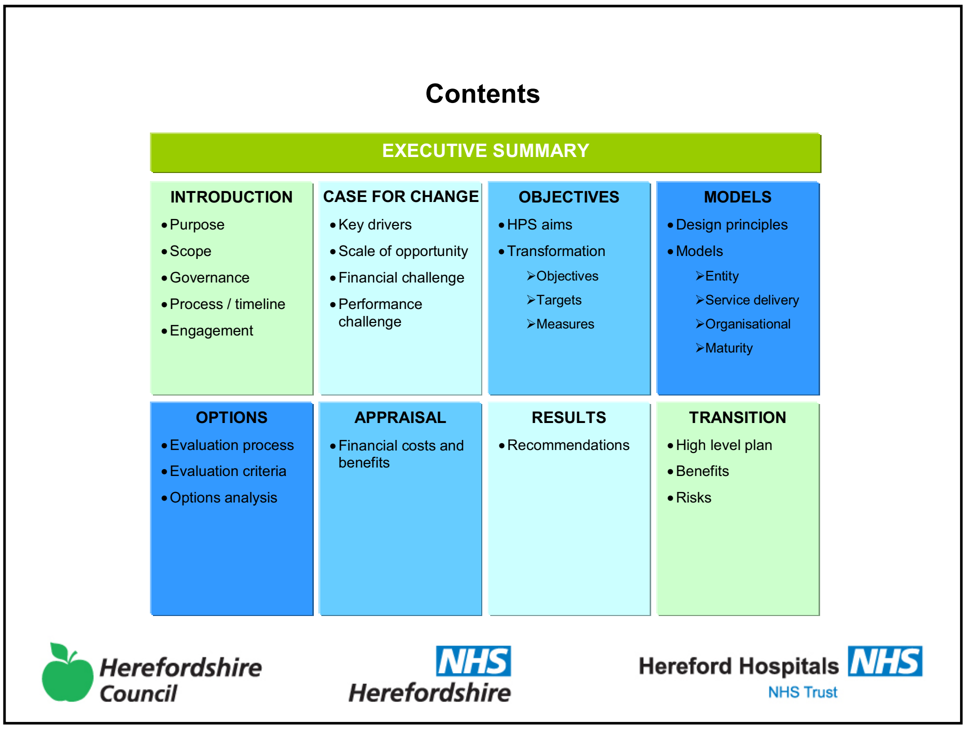
6th August 2009

Version 1.3

Herefordshire Council

NHS Herefordshire

Hereford Hospitals NHS Trust



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• Purpose • Scope • Governance • Process / timeline • Engagement	• Key drivers • Scale of opportunity • Financial challenge • Performance challenge	• HPS aims • Transformation ➢Objectives ➢Targets ➢Measures	• Design principles • Models ➢Entity ➢Service delivery ➢Organisational ➢Maturity
OPTIONS	**APPRAISAL**	**RESULTS**	**TRANSITION**
• Evaluation process • Evaluation criteria • Options analysis	• Financial costs and benefits	• Recommendations	• High level plan • Benefits • Risks

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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

- 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.

Scope

- The scope agreed by senior stakeholders is:
  - 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.

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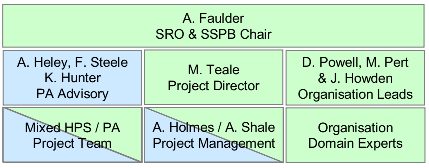
Governance arrangements

Governance process

- 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.

Governance structure



- 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.

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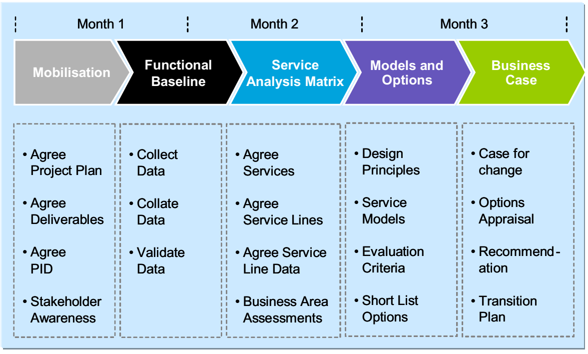
Approach and timeline

Approach

- The approach taken has been highly interactive:
  - 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.

Timeline

- The broad timing and high level activities associated with each stage of the project is shown below:



Month 1 | Month 2 | Month 3

Mobilisation	Functional Baseline	Service Analysis Matrix	Models and Options	Business Case
• Agree Project Plan	• Collect Data	• Agree Services	• Design Principles	• Case for change
• Agree Deliverables	• Collate Data	• Agree Service Lines	• Service Models	• Options Appraisal
• Agree PID	• Validate Data	• Agree Service Line Data	• Evaluation Criteria	• Recommend-ation
• Stakeholder Awareness		• Business Area Assessments	• Short List Options	• Transition Plan

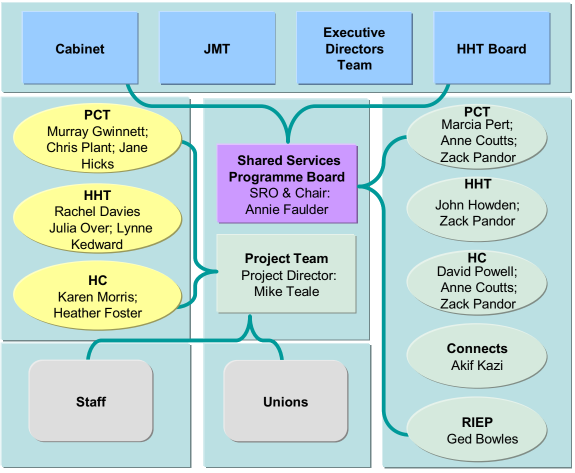
---

Stakeholder engagement

Engagement activities

- Engagement with staff has been a key element of the working activities:
- To obtain and maintain support from key stakeholders
- To build buy-in to the solution from middle management
- To communicate:
  - 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.

Stakeholder engagement



Cabinet

JMT

Executive Directors Team

HHT Board

PCT Murray Gwinnett; Chris Plant; Jane Hicks

HHT Rachel Davies Julia Over; Lynne Kedward

HC Karen Morris; Heather Foster

Shared Services Programme Board SRO & Chair: Annie Faulder

Project Team Project Director: Mike Teale

PCT Marcia Pert; Anne Coutts; Zack Pandor

HHT John Howden; Zack Pandor

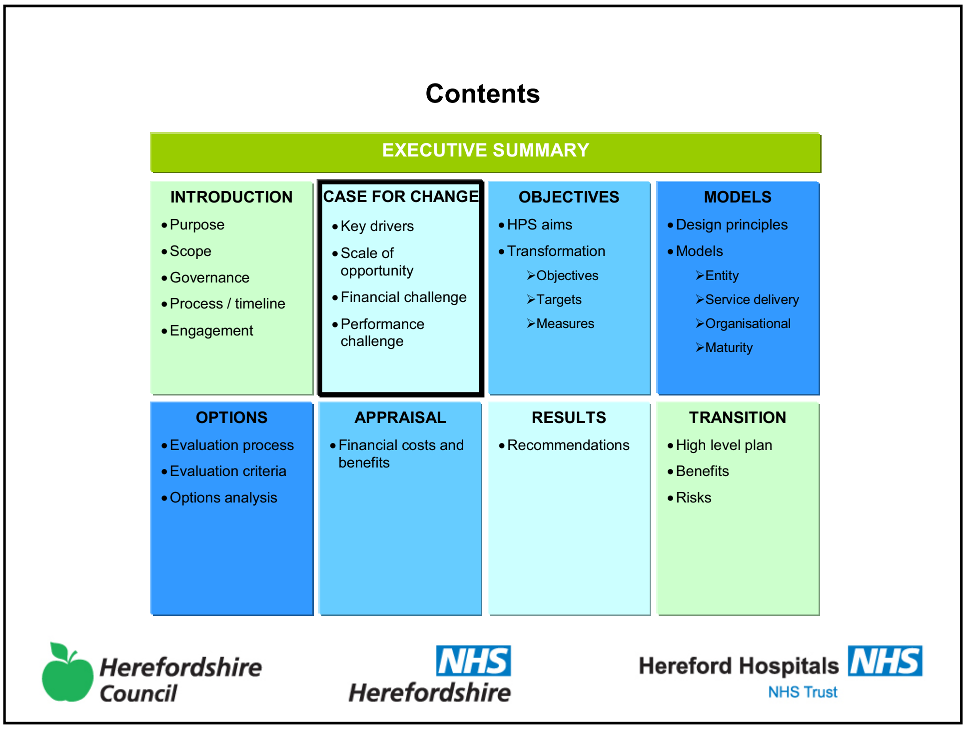
HC David Powell; Anne Coutts; Zack Pandor

Connects Akif Kazi

RIEP Ged Bowles

Staff

Unions



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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

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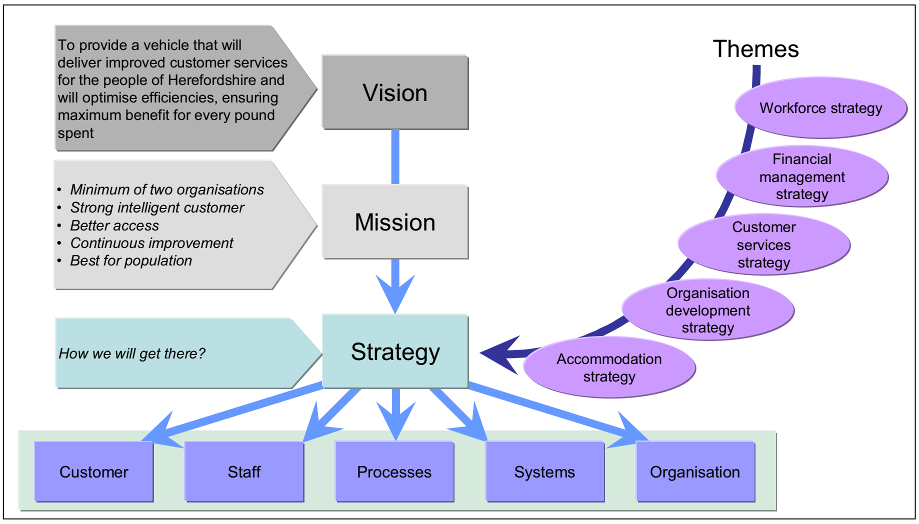
NHS Trust

Shaping shared services within that overarching vision …



To provide a vehicle that will deliver improved customer services for the people of Herefordshire and will optimise efficiencies, ensuring maximum benefit for every pound spent

Vision

- *Minimum of two organisations*
- *Strong intelligent customer*
- *Better access*
- *Continuous improvement*
- *Best for population*

Mission

How we will get there?

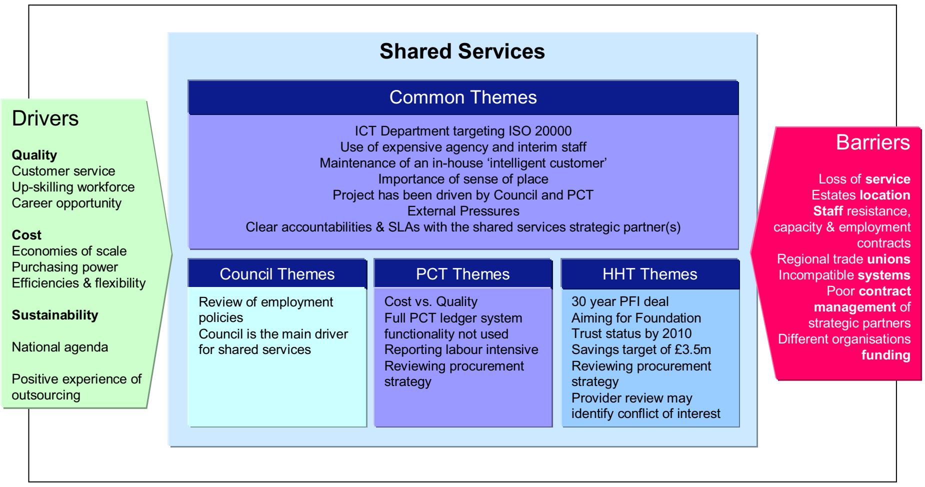
Strategy

Themes

- Workforce strategy
- Financial management strategy
- Customer services strategy
- Organisation development strategy
- Accommodation strategy

Customer | Staff | Processes | Systems | Organisation

Key drivers for sharing services …



Drivers

Quality
Customer service
Up-skilling workforce
Career opportunity

Cost
Economies of scale
Purchasing power
Efficiencies & flexibility

Sustainability

National agenda

Positive experience of outsourcing

Shared Services

Common Themes

ICT Department targeting ISO 20000
Use of expensive agency and interim staff
Maintenance of an in-house ‘intelligent customer’
Importance of sense of place
Project has been driven by Council and PCT
External Pressures
Clear accountabilities & SLAs with the shared services strategic partner(s)

Council Themes	PCT Themes	HHT Themes
Review of employment policies Council is the main driver for shared services	Cost vs. Quality Full PCT ledger system functionality not used Reporting labour intensive Reviewing procurement strategy	30 year PFI deal Aiming for Foundation Trust status by 2010 Savings target of £3.5m Reviewing procurement strategy Provider review may identify conflict of interest

Barriers

Loss of **service**
Estates **location**
Staff resistance, capacity & employment contracts
Regional trade **unions**
Incompatible **systems**
Poor **contract management** of strategic partners
Different organisations **funding**

Scale of in-scope services

Share of FTE resource

	Total		In scope	
Organisation	**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

	Total		In scope	
Organisation	**£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 Context

- ICT, Finance & Procurement, HR & Payroll and Estates account for 85% of in-scope services FTEs, almost ⅔ 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.

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 ⅔ of in-scope FTEs

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 ⅔ of in-scope expenditure

ICT: resource consumption

FTE & £'M Context

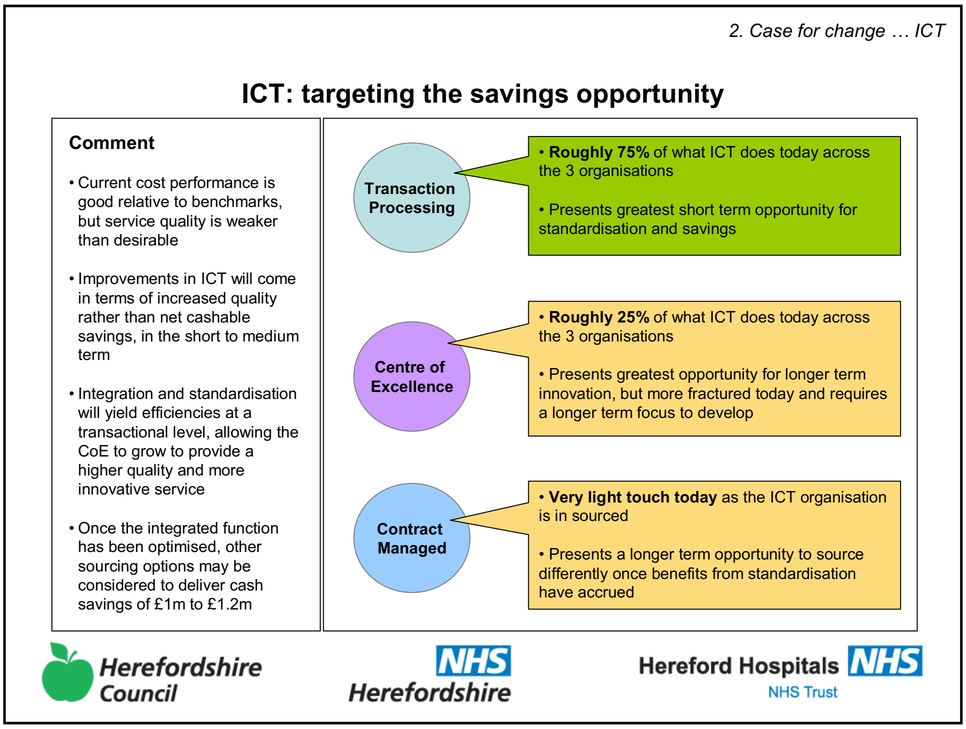
- ICT is the largest in-scope service with 156 FTEs, accounting for 30% of in-scope FTEs
- Employee costs are £4.8M and directly attributable costs are £5.5m
- IT Operations is the largest service grouping at 55.39 FTEs and £2M costs
- PCT/HHT are currently integrated and plans to integrate with HC are 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%



2. Case for change … ICT

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

Transaction Processing

- **Roughly 75%** of what ICT does today across the 3 organisations
- Presents greatest short term opportunity for standardisation and savings

Centre of Excellence

- **Roughly 25%** of what ICT does today across the 3 organisations
- Presents greatest opportunity for longer term innovation, but more fractured today and requires a longer term focus to develop

Contract Managed

- **Very light touch today** as the ICT organisation is in sourced
- Presents a longer term opportunity to source differently once benefits from standardisation have accrued

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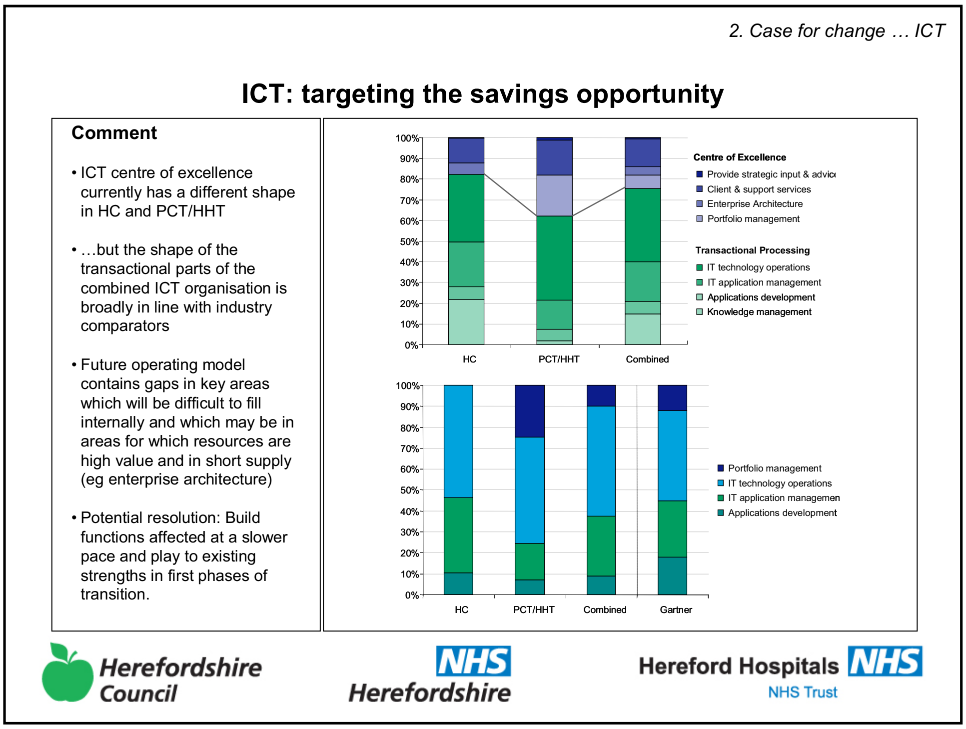

2. Case for change … ICT

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.

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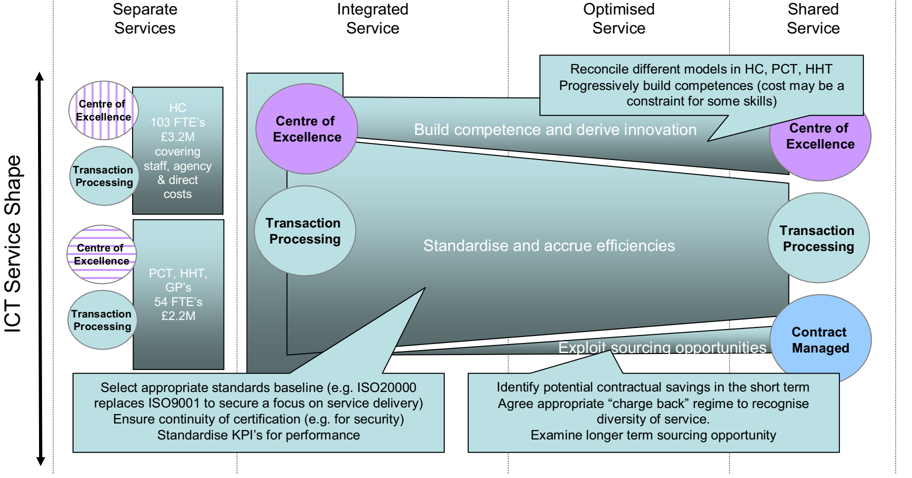
ICT: illustrative timeline for 3-phase transition



Time

Separate Services

Integrated Service

Optimised Service

Shared Service

ICT Service Shape

Centre of Excellence

Transaction Processing

HC
103 FTE's
£3.2M
covering
staff, agency
& direct
costs

Centre of Excellence

Transaction Processing

PCT, HHT,
GP's
54 FTE's
£2.2M

Centre of Excellence

Transaction Processing

Build competence and derive innovation

Standardise and accrue efficiencies

Exploit sourcing opportunities

Centre of Excellence

Transaction Processing

Contract Managed

Reconcile different models in HC, PCT, HHT
Progressively build competences (cost may be a constraint for some skills)

Select appropriate standards baseline (e.g. ISO20000 replaces ISO9001 to secure a focus on service delivery)
Ensure continuity of certification (e.g. for security)
Standardise KPI's for performance

Identify potential contractual savings in the short term
Agree appropriate "charge back" regime to recognise diversity of service.
Examine longer term sourcing opportunity

Procurement: Resources consumption

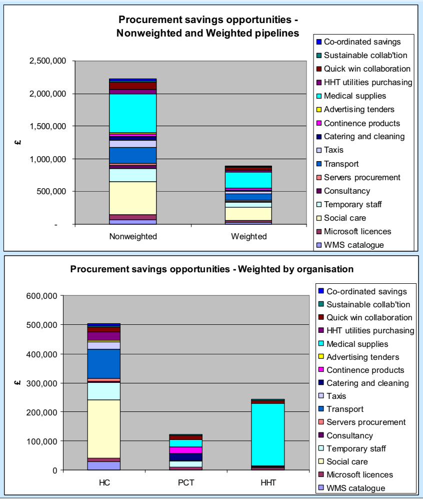
	HC	PCT	HHT	Total
Strategic Procurement/Supplies team FTEs	2	1.7	1.6	5.3
Non-pay Expenditure	£220m	£230m	£40m	£590m
3rd party payments, purchased healthcare etc	*£140m*	*£220m*		
'Influencable' Expenditure	£80m	£10m	£40m	£135m
Weighted savings opportunity	£500k	£130k	£260k	£890k

Observations

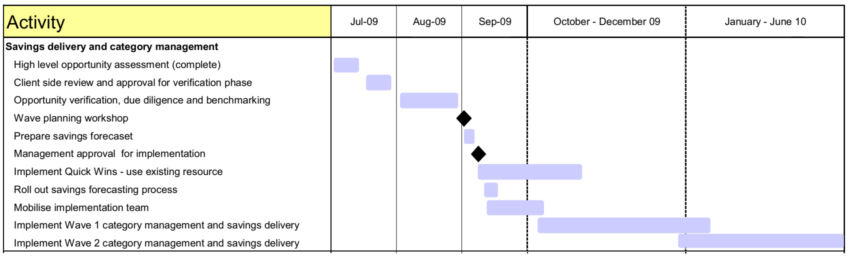
- Procurement as a function engages just 5.3 FTEs across the three partners and so only 1% of the in scope FTEs
- Senior strategic procurement capability in all three partners is under-resourced relative to best practice
- Partners rely to varying degrees on external purchasing consortia (eg WMS, HPS, 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



- 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

- 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.

Key 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%

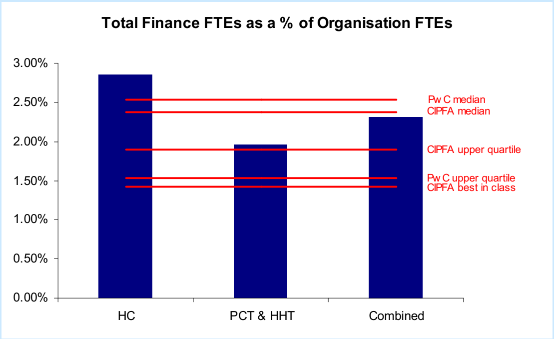
		Total			
		FTE	%	Total costs	%
2	**Finance**	**102.33**	**100.0%**	**£3,532,291**	**100.0%**
2.1	Financial Accounting	78.33	76.5%	£2,958,085	83.7%
2.2	Manage Revenue Cycle	6.20	6.1%	£178,904	5.1%
2.3	Accounts Payable	17.80	17.4%	£395,302	11.2%

Finance: relative cost efficiency

Savings potential

- A key benchmark used to size Finance is Finance FTEs as a % of total organisation FTEs
- PwC is mostly medium to large sized companies – CIPFA is LA's
- HC is currently above 2.5% and PCT/HHT combined are just short of 2%
- PCT/HHT are combined due to current sharing activity
- PCT & HHT are almost achieving CIPFA upper quartile
- We propose a target benchmark around PwC 1.53% upper quartile and CIPFA 1.42% best in class
- Total savings opportunity is 35-40% or 35 and 40 FTEs; 24 to 26 in HC and 11 to 14 in PCT/HHT
- This equates to potential savings of between £1.1 to 1.2M; £700 to 770k in HC and £400 to 440k in PCT/HHT.

Relative cost efficiency



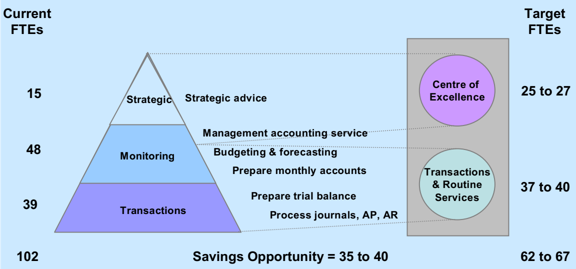
Finance functions are larger than they need to be

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



Of the 35 to 40 FTE target saving, 23 to 26 are in Transactions & Routine Processing, and 12 to 14 are in Centre of Excellence service lines

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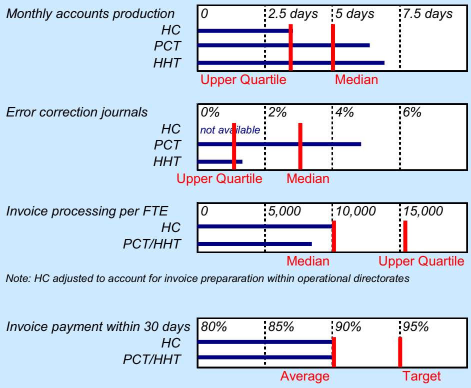
Finance: relative performance

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



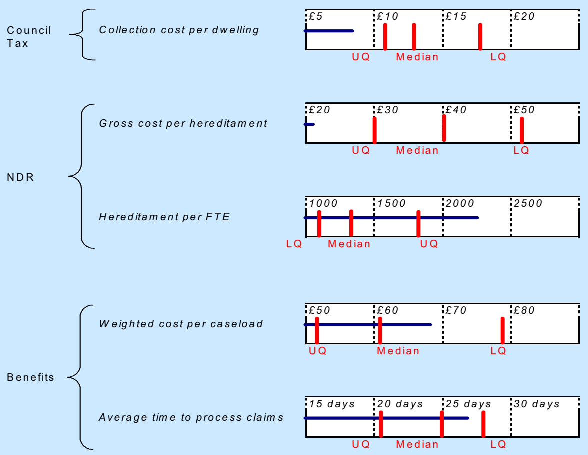
Note: HC adjusted to account for invoice prepararation within operational directorates

Revenues and Benefits: relative performance

Comment

- Benchmarks and data taken from 2008 CIPFA results
- Strong performance in Council tax and non-domestic rates performing in the upper quartile.
- Hereford staff costs are significantly lower than average. Even after adjustment collection costs are performance is still upper quartile
- Benefits performance is less positive. Weighted cost per case load performance is £68 against upper quartile of £54. Average time to process claims is 27 days against upper quartile figure of 21.

Relative performance



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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

		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%

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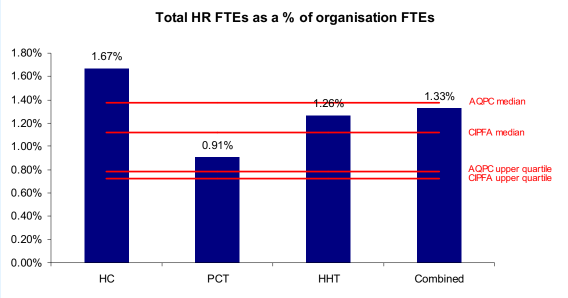
NHS Trust

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

Relative cost efficiency



HC and HHT HR functions are larger than they need to be

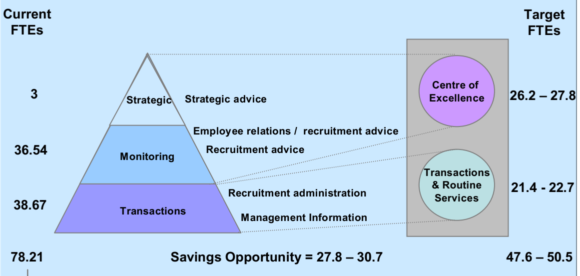
NB: Analysis does not include Learning and Development

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.

Targeting the savings opportunity



Of the 30.7 FTE target saving, 17.3 are in Transactions & Routine Processing, and 13.4 are in Centre of Excellence service lines

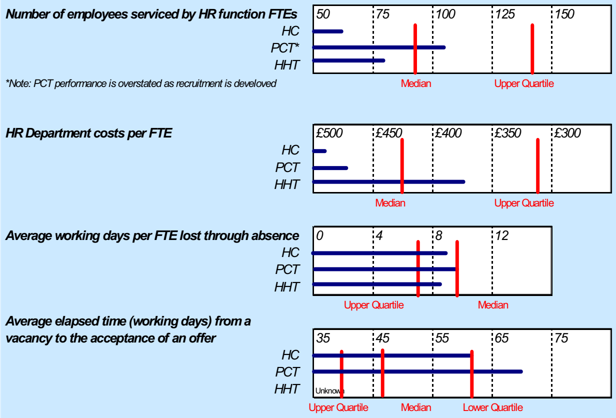
NB: Analysis does not include Learning and Development

HR: relative performance

Comment

- HC and HHT perform poorly on number of employees serviced by HR function FTEs reinforcing the view that both are overstaffed
- All three partners perform outside the top quartile for department costs per FTE. HC (£491) and PCT (£469) performance is below the median of £423 per FTE.
- HC, PCT and HHT performance on sickness absenteeism falls between the median (9.3 days per FTE) and the upper quartile (7.2 days).
- PCT performance on time to fill vacancies falls into the bottom quartile - 71 days against a lower quartile of 62 days. HC performance is better but still at the lower quartile.

Relative performance



*Note: PCT performance is overstated as recruitment is develoved

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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

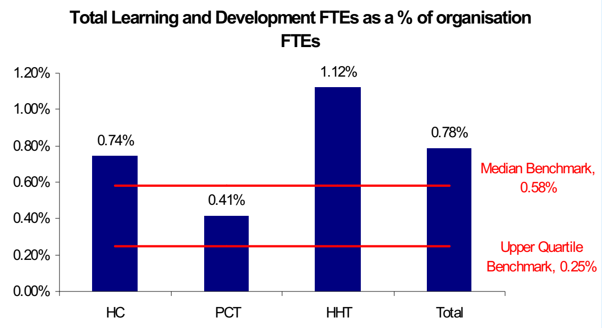
- Learning and Development is currently out of scope but worthy of further investigation owing to its size relative to HR
- PCT L&D has been adjusted from 42 FTEs to 5FTEs – to account for FTEs providing external training
- There are 36 FTEs providing internal training, less than 1% of total organisation 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

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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%

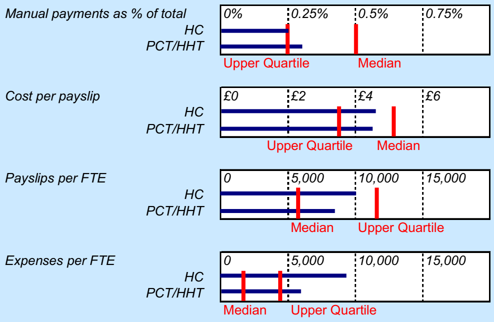
		HHT			
		FTE	%	Total costs	%
4	**Payroll & Expenses**	**9.81**	**100.0%**	**£306,203**	**100.0%**
4.1	Manage payroll system	0.63	6.4%	£19,664	6.4%
4.2	Process payroll updates	1.80	18.3%	£56,184	18.3%
4.3	Process starters/movers/leavers changes	1.78	18.1%	£55,560	18.1%
4.4	Run payroll	2.80	28.5%	£87,397	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

Relative performance



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

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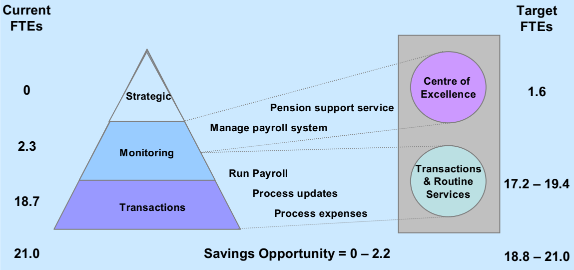
Payroll & Expenses: Targeting the savings opportunity

- 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

Targeting the savings opportunity



Of the 2.2 FTE target saving, all are in Transactions & Routine Processing service lines

Estates: resource consumption

FTE Context

- 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

Key service groupings

		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%

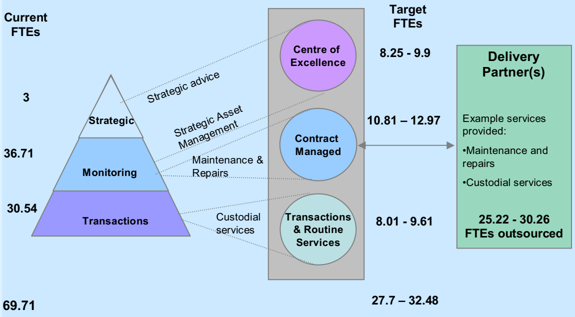
		PCT				Total			
		FTE	%	Total costs	%	FTE	%	Total costs	%
6	**Estates**	10.50	100%	£314,655	100%	69.71	100%	£2,923,932	100%
6.1	Perform maintenance and repairs	6.50	62%	£194,786	62%	10.25	15%	£295,682	10%
6.2	Strategic management	1.00	10%	£29,967	10%	3.00	4%	£216,886	7%
6.3	Operational management	1.00	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%

Estates: targeting the savings opportunity

Future service delivery

- Lack of available KPIs across the partners makes it difficult to assess performance and size the future service.
- In our experience, simplifying and standardising service lines typically delivers savings in the range of 10-25%. This equates to 7-17 FTEs or £292k to £730k.
- Further investigation is needed to understand the size of the retained organisation required to manage the outsourced service lines. We anticipate that ~30% of FTEs would be retained which equates to 25-30 outsourced FTEs.

Targeting the savings opportunity

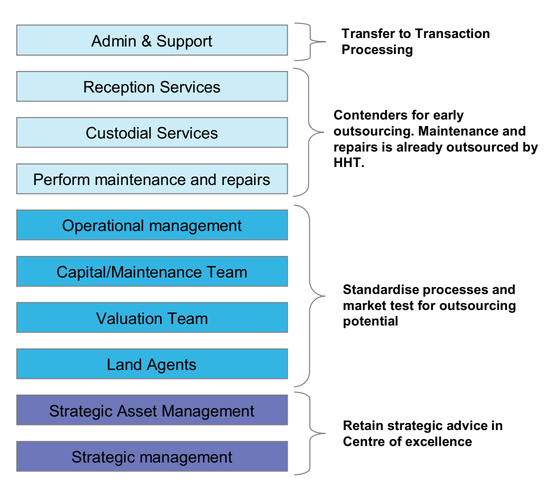


Successful transformation programme could realise savings of 10-25%. This equates to a savings range of 7 - 17 FTEs or £292k - £730k

Estates – targeting the savings opportunity

Future service delivery

- Some service lines have been outsourced but further opportunity exists
- We recommend developing a requirements spec to inform decision for outsourcing vs. internal reengineering
- Undertake a market test to gauge supplier interest in providing estates services
- Carry out a detailed analysis of processes to better understand the future shape of the function. Analysis should seek to identify service lines to be outsourced and opportunities for integration and sharing



Admin & Support

Transfer to Transaction Processing

Reception Services

Custodial Services

Perform maintenance and repairs

Contenders for early outsourcing. Maintenance and repairs is already outsourced by HHT.

Operational management

Capital/Maintenance Team

Valuation Team

Land Agents

Standardise processes and market test for outsourcing potential

Strategic Asset Management

Strategic management

Retain strategic advice in Centre of excellence

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

Key service groupings

		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%

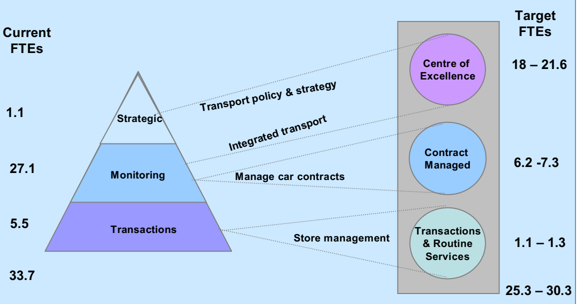
		PCT				Total			
		FTE	%	Total costs	%	FTE	%	Total costs	%
7	**Transport**	6.80	100%	£177,834	100%	33.70	100%	£1,120,799	100%
7.1	Public transport contracts & community transport support	0.00	0%	£0	0%	4.50	13%	£154,645	14%
7.2	Highways development control	0.00	0%	£0	0%	4.00	12%	£137,462	12%
7.3	Transport 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

Future service delivery

- KPIs required to size the target function not available.
- ‘Simplify and standardise’ improvement programmes typically deliver savings in the range of 10-25%. This equates to 4-8 FTEs or £112k - £280k
- Management of leased car contracts and public transport contracts should move to Contract Management Centre of Excellence
- Centre of Excellence should remain in-house

Targeting the savings opportunity



Successful transformation programme could realise savings of 10-25%. This equates to a savings range of 4 - 8 FTEs or £112k - £280k

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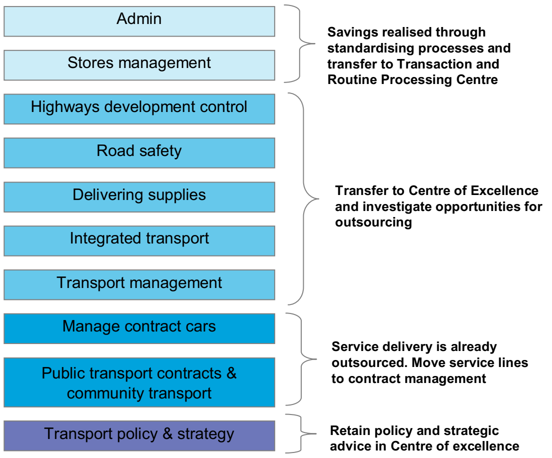
Transport – targeting the savings opportunity

Future service delivery

- Detailed process analysis should be undertaken to help identify further opportunities for service line standardisation and/or outsourcing.
- Undertake a market test to gauge supplier interest in providing transport services
- Transport policy and strategy should transfer to Centre of Excellence and remain in house



Savings realised through standardising processes and transfer to Transaction and Routine Processing Centre

Transfer to Centre of Excellence and investigate opportunities for outsourcing

Service delivery is already outsourced. Move service lines to contract management

Retain policy and strategic advice in Centre of excellence

Printing and Distribution: resource consumption

Comment

- 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.

Targeting the savings opportunity

	HC	PCT	HHT	Total
Spend on printing	£651,000	£381,000	£177,000	£1,209,000
Number of print jobs per annum	1,183	98	96	1,377
Contract	Joint venture with Amey until 2013	•No fixed contacts •9 local suppliers used during 08/09	•No fixed contracts •3 local suppliers used regularly	-

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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

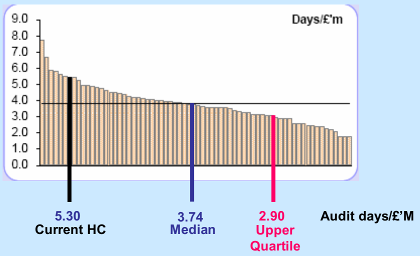
Service improvements will generally be achieved through:

- 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.



Option-A In-house

1793
£389k
Current FTEs
10

1793	1265	981	Audit days
£389k	£275k	£213k	HC service cost
	£114k	£176k	Potential in-house £' saving
Current FTEs 10	3	4.5	Potential in-house FTE saving

Option-B Outsource

981	Target Audit days
£391/day	Outsource service cost/day
£383k	Potential outsource cost for HC

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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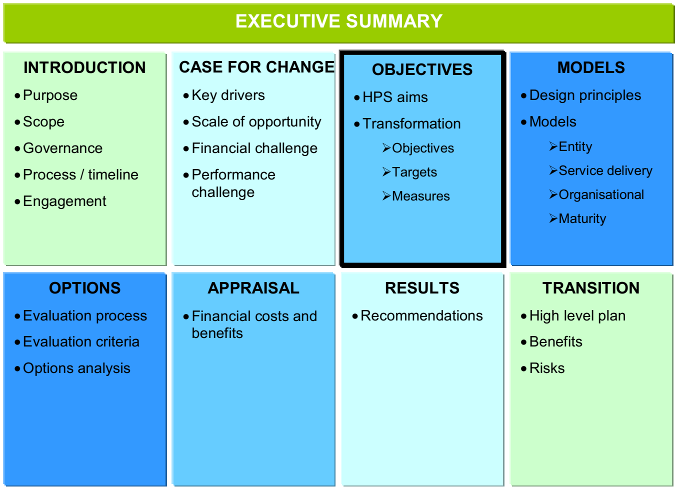

EXECUTIVE SUMMARY

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- Purpose
- Scope
- Governance
- Process / timeline
- Engagement

CASE FOR CHANGE
- Key drivers
- Scale of opportunity
- Financial challenge
- Performance challenge

OBJECTIVES
- HPS aims
- Transformation
  - ➢Objectives
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- Financial costs and benefits

RESULTS
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TRANSITION
- High level plan
- Benefits
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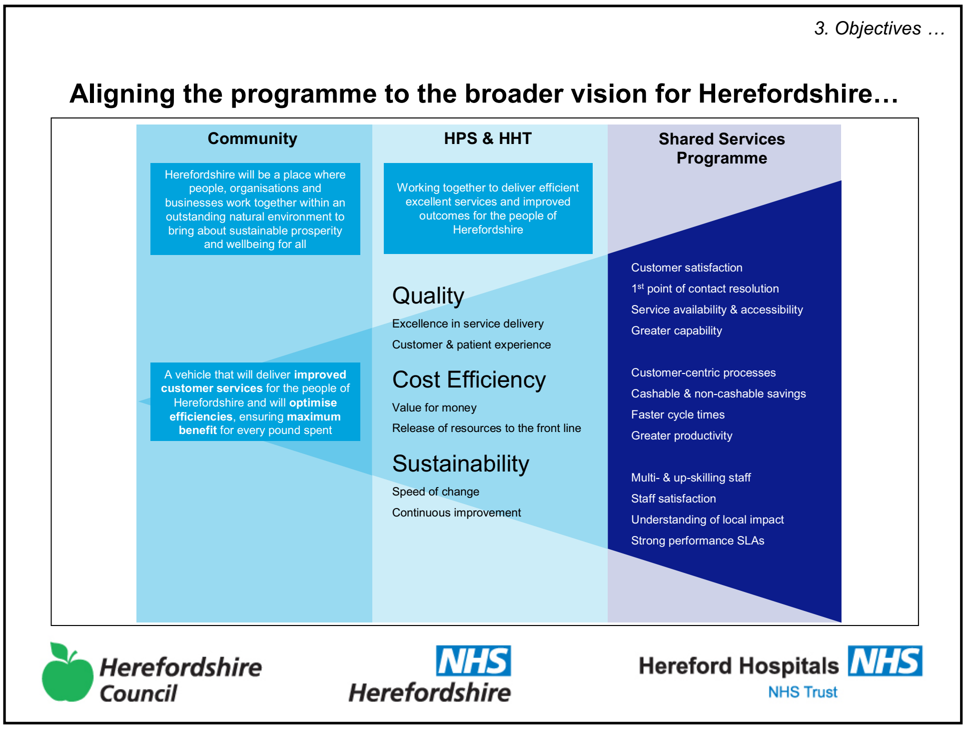


Aligning the programme to the broader vision for Herefordshire…

Community

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

A vehicle that will deliver **improved customer services** for the people of Herefordshire and will **optimise efficiencies**, ensuring **maximum benefit** for every pound spent

HPS & HHT

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

Quality

Excellence in service delivery

Customer & patient experience

Cost Efficiency

Value for money

Release of resources to the front line

Sustainability

Speed of change

Continuous improvement

Shared Services Programme

Customer satisfaction

1st point of contact resolution

Service availability & accessibility

Greater capability

Customer-centric processes

Cashable & non-cashable savings

Faster cycle times

Greater productivity

Multi- & up-skilling staff

Staff satisfaction

Understanding of local impact

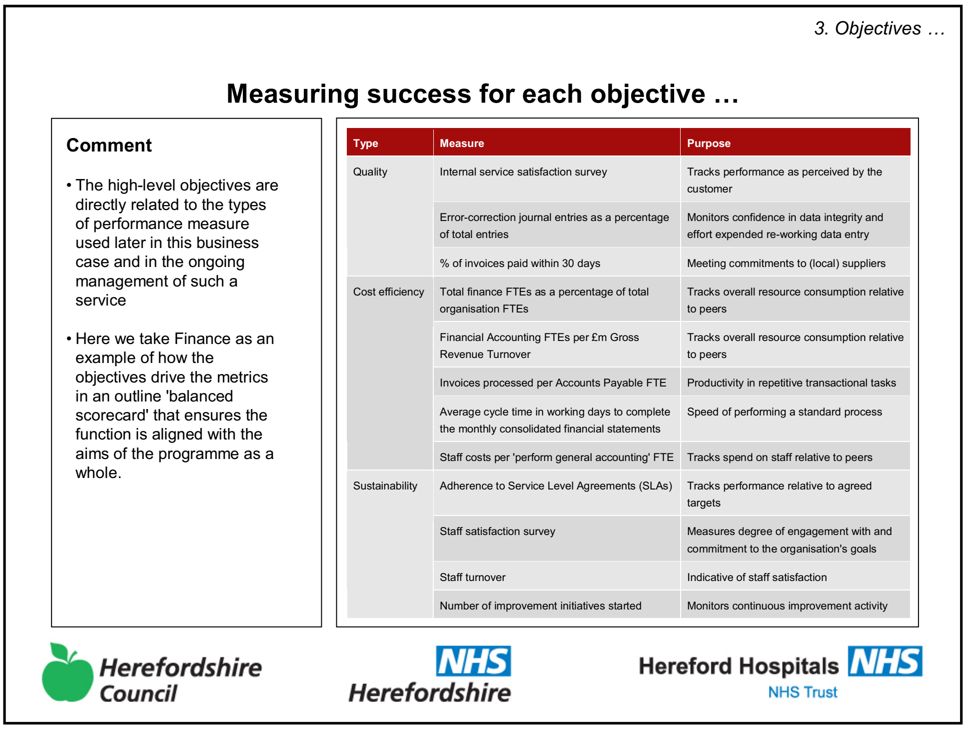
Strong performance SLAs

Herefordshire Council

NHS Herefordshire

Hereford Hospitals NHS

NHS Trust



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 £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

Herefordshire Council

NHS Herefordshire

Hereford Hospitals NHS

NHS Trust

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EXECUTIVE SUMMARY

INTRODUCTION	CASE FOR CHANGE	OBJECTIVES	MODELS
• Purpose • Scope • Governance • Process / timeline • Engagement	• Key drivers • Scale of opportunity • Financial challenge • Performance challenge	• HPS aims • Transformation ➢Objectives ➢Targets ➢Measures	• Design principles • Models ➢Entity ➢Service delivery ➢Organisational ➢Maturity
OPTIONS	**APPRAISAL**	**RESULTS**	**TRANSITION**
• Evaluation process • Evaluation criteria • Options analysis	• Financial costs and benefits	• Recommendations	• High level plan • Benefits • Risks

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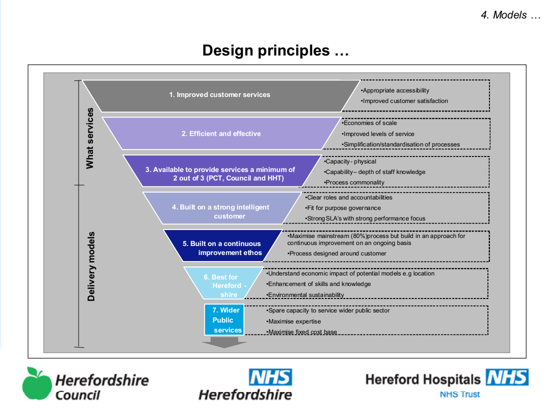
Design principles

- 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



4. Models …

Design principles …

What services

Delivery models

1. Improved customer services
- •Appropriate accessibility
- •Improved customer satisfaction

2. Efficient and effective
- •Economies of scale
- •Improved levels of service
- •Simplification/standardisation of processes

3. Available to provide services a minimum of 2 out of 3 (PCT, Council and HHT)
- •Capacity - physical
- •Capability – depth of staff knowledge
- •Process commonality

4. Built on a strong intelligent customer
- •Clear roles and accountabilities
- •Fit for purpose governance
- •Strong SLA's with strong performance focus

5. Built on a continuous improvement ethos
- •Maximise mainstream (80%)process but build in an approach for continuous improvement on an ongoing basis
- •Process designed around customer

6. Best for Hereford - shire
- •Understand economic impact of potential models e.g location
- •Enhancement of skills and knowledge
- •Environmental sustainability

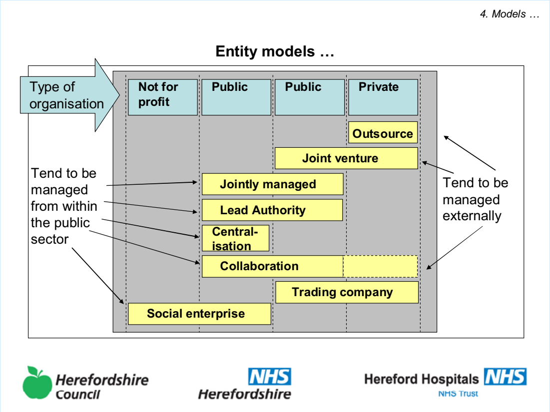
7. Wider Public services
- •Spare capacity to service wider public sector
- •Maximise expertise
- •Maximise fixed cost base

Herefordshire Council   NHS Herefordshire   Hereford Hospitals NHS NHS Trust

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 …



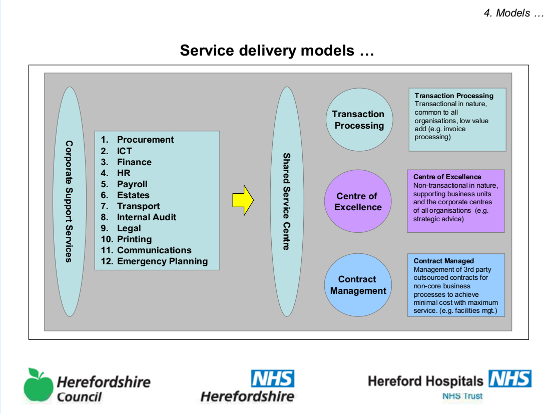
4. Models …

Entity models …

Service delivery models …

- There is also broad agreement to the three part service delivery model:
  - Transaction processing and routine services that could be outcourced 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



4. Models …

Service delivery models …

1. Procurement
2. ICT
3. Finance
4. HR
5. Payroll
6. Estates
7. Transport
8. Internal Audit
9. Legal
10. Printing
11. Communications
12. Emergency Planning

Transaction Processing
Transactional in nature, common to all organisations, low value add (e.g. invoice processing)

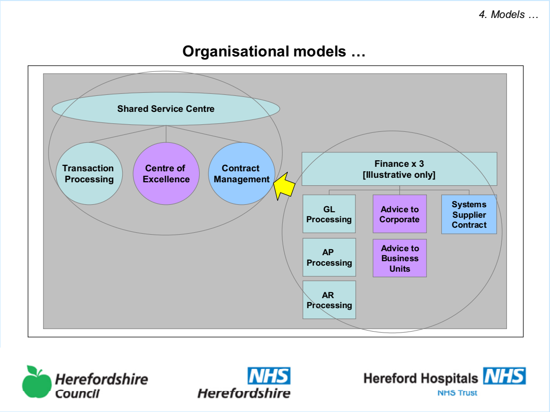
Centre of Excellence
Non-transactional in nature, supporting business units and the corporate centres of all organisations (e.g. strategic advice)

Contract Managed
Management of 3rd party outsourced contracts for non-core business processes to achieve minimal cost with maximum service. (e.g. facilities mgt.)

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



4. Models …

Organisational models …

Shared Service Centre

Transaction Processing

Centre of Excellence

Contract Management

Finance x 3 [Illustrative only]

GL Processing

Advice to Corporate

Systems Supplier Contract

AP Processing

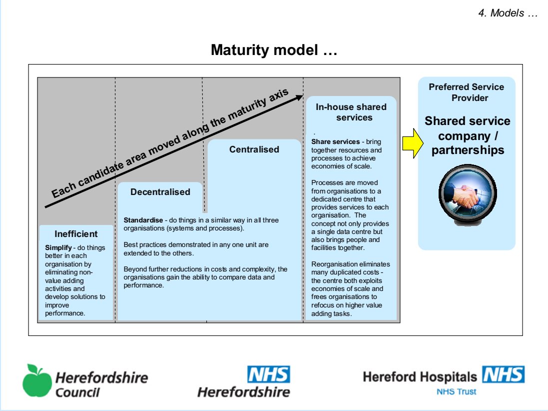
Advice to Business Units

AR Processing

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



4. Models …

Maturity model …

Each candidate area moved along the maturity axis

Inefficient

Simplify - do things better in each organisation by eliminating non-value adding activities and develop solutions to improve performance.

Decentralised

Standardise - do things in a similar way in all three organisations (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.

Centralised

In-house shared services

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 data 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.

Preferred Service Provider

Shared service company / partnerships

Contents

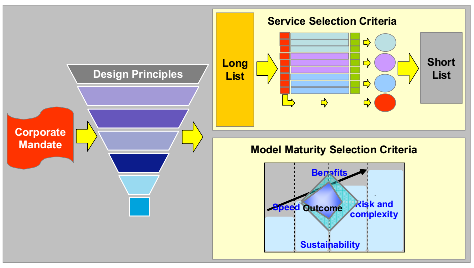
Options evaluation process …

- 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

5. Options …

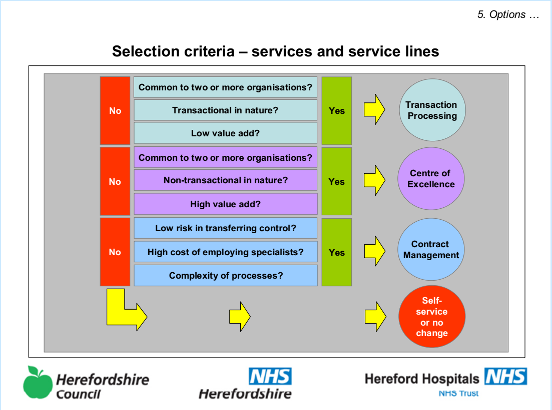
Options evaluation process …



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

In-scope service lines fit the proposed service delivery model

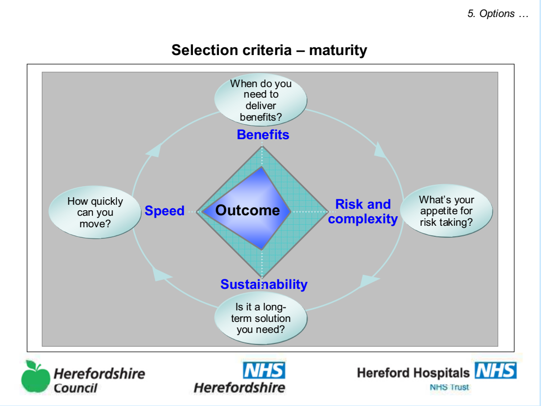

5. Options …

Selection criteria – services and service lines

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

Scenarios trade speed, risk, benefits and sustainability


5. Options …

Selection criteria – maturity

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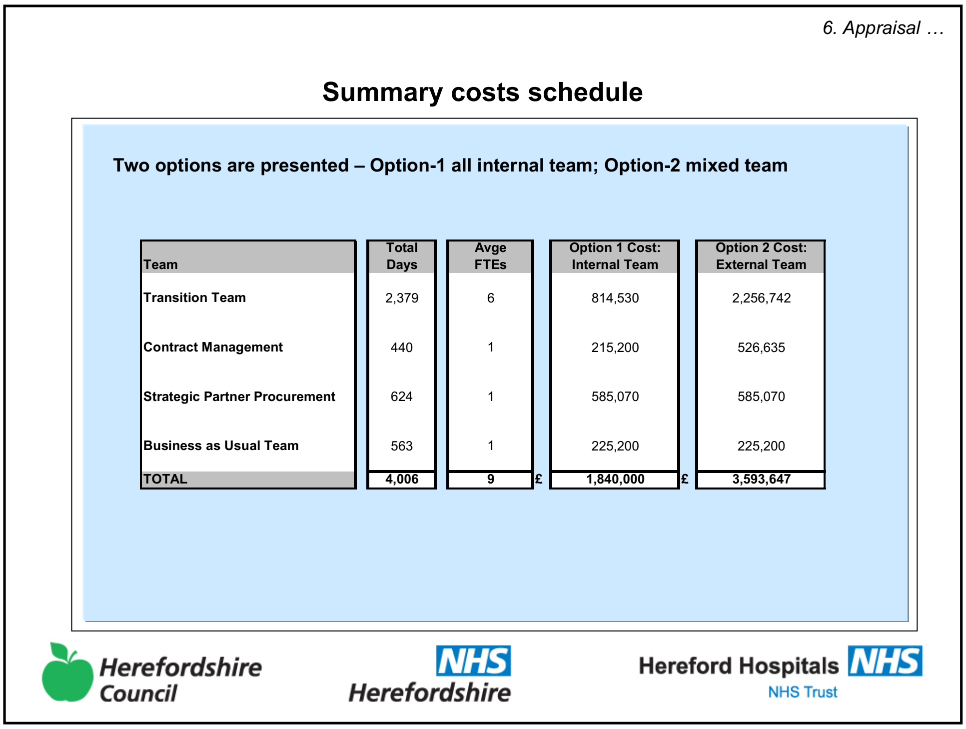
Summary benefits schedule

A range is presented – Low to High benchmarks

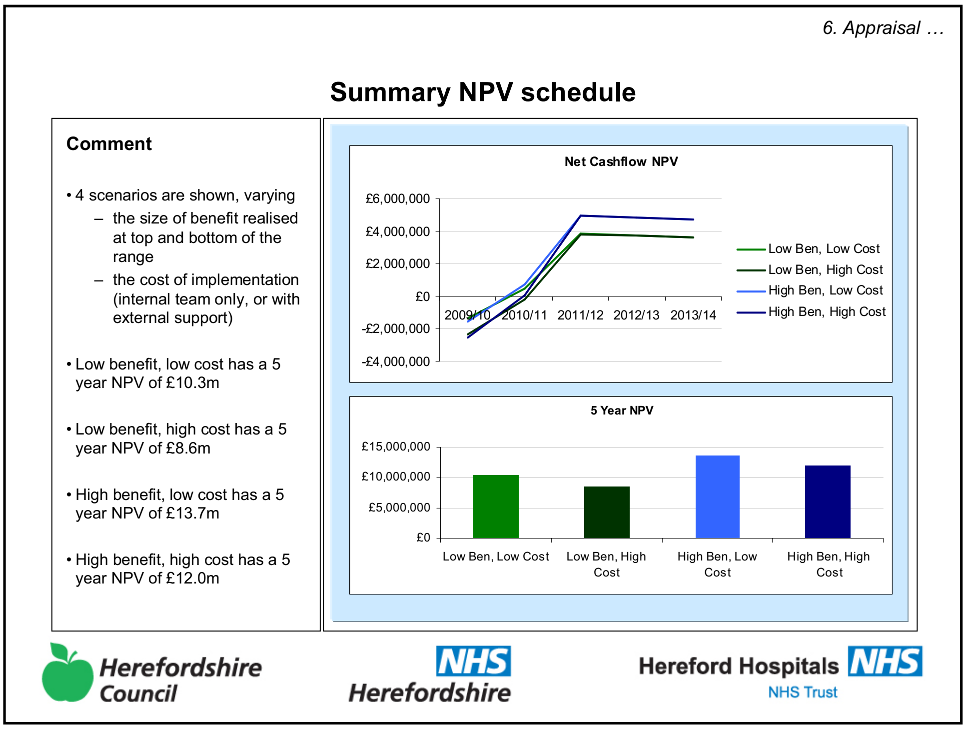
HPS Shared Services - Expected Benefits		LOW		HIGH	
		FTEs	Total Saving	FTEs	Total Saving
1	Procurement	0.0	£886,000	0.0	£886,000
2	Finance	35.5	£1,025,403	40.3	£1,206,231
3	HR	27.8	£771,875	30.7	£873,629
4	Payroll & Expenses	0.0	£0	2.2	£55,935
5	ICT	28.7	£995,941	37.1	£1,177,654
6	Estates	7.0	£292,393	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	Avge 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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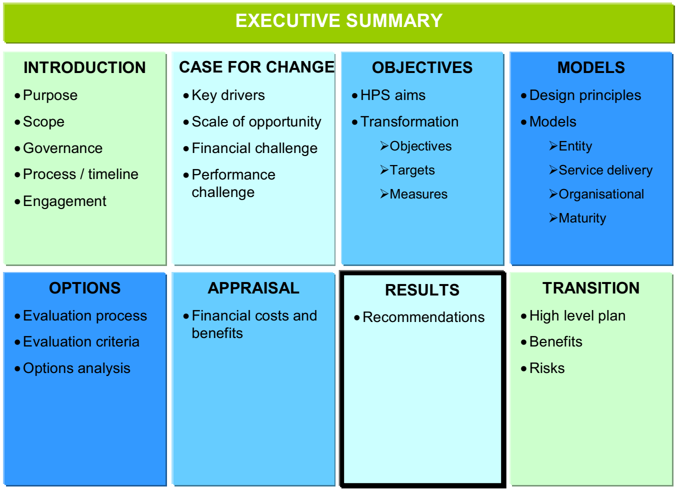

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There is a clear case but you need to prepare …

- 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.

7. Recommendation

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

Herefordshire Council
NHS Herefordshire
Hereford Hospitals NHS
NHS Trust

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7. Recommendation

Key recommendations (2)

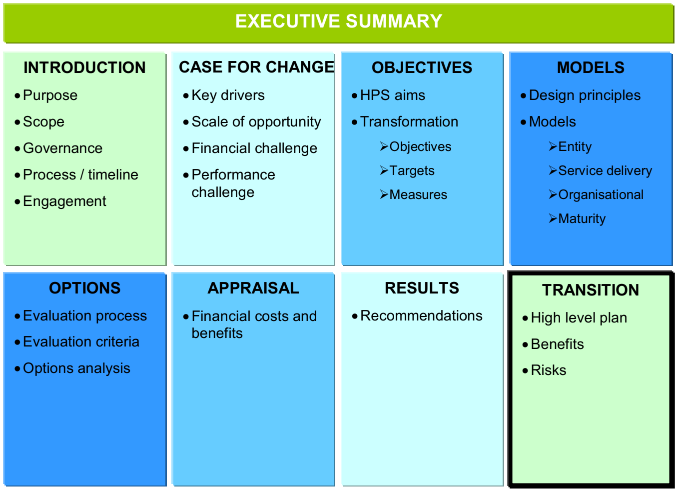
- Procure a strategic partner or partners for transactions / routine processing including a potential ERP solution. A soft market test exercise should be undertaken to:
    - Engage with potential partners
    - Assess appetite locally and nationally
    - Understand preferences for ERP solution
    - 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

Herefordshire Council
NHS Herefordshire
Hereford Hospitals NHS
NHS Trust

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.

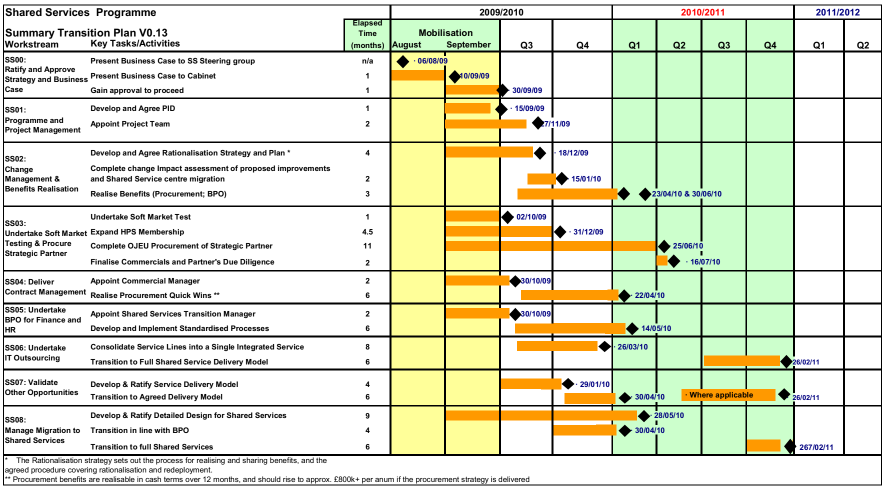
Contents



EXECUTIVE SUMMARY

INTRODUCTION • Purpose • Scope • Governance • Process / timeline • Engagement	**CASE FOR CHANGE** • Key drivers • Scale of opportunity • Financial challenge • Performance challenge	**OBJECTIVES** • HPS aims • Transformation ➢Objectives ➢Targets ➢Measures	**MODELS** • Design principles • Models ➢Entity ➢Service delivery ➢Organisational ➢Maturity
OPTIONS • Evaluation process • Evaluation criteria • Options analysis	**APPRAISAL** • Financial costs and benefits	**RESULTS** • Recommendations	**TRANSITION** • High level plan • Benefits • Risks

High Level Plan



Shared Services Programme

Summary Transition Plan V0.13

Workstream	Key Tasks/Activities	Elapsed Time (months)
SS00: Ratify and Approve Strategy and Business Case	Present Business Case to SS Steering group	n/a
	Present Business Case to Cabinet	1
	Gain approval to proceed	1
SS01: Programme and Project Management	Develop and Agree PID	1
	Appoint Project Team	2
SS02: Change Management & Benefits Realisation	Develop and Agree Rationalisation Strategy and Plan *	4
	Complete change Impact assessment of proposed improvements and Shared Service centre migration	2
	Realise Benefits (Procurement; BPO)	3
SS03: Undertake Soft Market Testing & Procure Strategic Partner	Undertake Soft Market Test	1
	Expand HPS Membership	4.5
	Complete OJEU Procurement of Strategic Partner	11
	Finalise Commercials and Partner's Due Diligence	2
SS04: Deliver Contract Management	Appoint Commercial Manager	2
	Realise Procurement Quick Wins **	6
SS05: Undertake BPO for Finance and HR	Appoint Shared Services Transition Manager	2
	Develop and Implement Standardised Processes	6
SS06: Undertake IT Outsourcing	Consolidate Service Lines into a Single Integrated Service	8
	Transition to Full Shared Service Delivery Model	6
SS07: Validate Other Opportunities	Develop & Ratify Service Delivery Model	4
	Transition to Agreed Delivery Model	6
SS08: Manage Migration to Shared Services	Develop & Ratify Detailed Design for Shared Services	9
	Transition in line with BPO	4
	Transition to full Shared Services	6

* 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 anum if the procurement strategy is delivered

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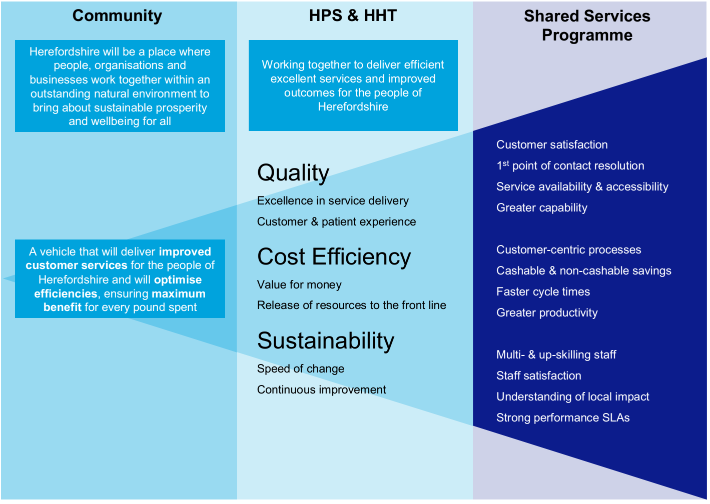
Key risks that could affect the timing and scale of benefits delivery

Project stage	Description/ Impact
Ratify & approve business case	Delay in business case approvals
Ratify & approve business case	Delay in members approval
Ratify & approve business case	Delay in project funding
Ratify & approve business case	Continuity of project team lost due to delays
Ratify & approve business case	Changes in senior team organisation impacts the project
Project & programme management	Delay in appointing Shared Services programme manager
Project & programme management	Delay in appointing & mobilising programme team
Project & programme management	Availability in allocating programme team resourcing
Change management & benefit realisation	Delay in agreement to services rationalisation approach
Change management & benefit realisation	Lack of buy-in from key stakeholders
Change management & benefit realisation	Programme gets called in for scrutiny, creating a time delay
Change management &	Benefits not realised in the planned timescale
Change management &	Benefits achieved lower than expectation
Change management & benefit realisation	Apportionment of benefits not agreed, delaying timescale
Change management & benefit realisation	One of partners does not come on board reducing benefits and increasing timescales
Change management & benefit realisation	One or more partners decides not to come on board for all processes in scope
Change management & benefit realisation	Insufficient benefits for one or more partners to justify their participation
Change management & benefit realisation	Business as usual service levels worsen during transition
Soft market testing	Delay in developing and issuing the PIN
Soft market testing	Lack of interest from potential partners

Project stage	Description/ Impact
Procurement	Delay in developing tender specification for OJEU
Procurement	Poor quality of tender specification for OJEU
Procurement	Delay or inability to expand HPS membership
Procurement	Procurement timelines in benefits delivery cannot met
Procurement	Time lag in closing the deal delays benefits
Contract management	Delays in appointment of commercial manager
Contract management	Quick wins not realised in the planned
Contract management	Quick wins achieved lower than expectation
Contract management	Delays in establishing Centre of Excellence
Outsourcing of BPO	Delays in appointment of shared services manager reduces/delays benefits realisation
Outsourcing of BPO	Standardisation benefits not realised in the planned timescale
Outsourcing of BPO	Sharing of services benefits not realised in the planned timescale
Outsourcing of BPO	Standardisation benefits not realised in the planned timescale
Outsourcing of BPO	Shared service benefits achieved lower than expectation
Outsourcing of BPO	Delays in establishing Centre of Excellence
Outsourcing of BPO	Delays in selecting ERP provider
Outsourcing of BPO	Delays in design, development and implementation of ERP
Outsourcing of BPO	Increase in cost of ERP implementation above budget due to costs estimate
Outsourcing of BPO	Increase in cost of ERP implementation above budget due to scope creep
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 …



Community

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

A vehicle that will deliver **improved customer services** for the people of Herefordshire and will **optimise efficiencies**, ensuring **maximum benefit** for every pound spent

HPS & HHT

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

Quality

Excellence in service delivery

Customer & patient experience

Cost Efficiency

Value for money

Release of resources to the front line

Sustainability

Speed of change

Continuous improvement

Shared Services Programme

Customer satisfaction

1st point of contact resolution

Service availability & accessibility

Greater capability

Customer-centric processes

Cashable & non-cashable savings

Faster cycle times

Greater productivity

Multi- & up-skilling staff

Staff satisfaction

Understanding of local impact

Strong performance SLAs

Quantitative benefits …

A range is presented – Low to High benchmarks

HPS Shared Services - Expected Benefits		LOW		HIGH	
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	TOTALS	103.7	£4,168,424	139.7	£5,389,509

Annex 2: Business Area Assessments

HEREFORDSHIRE SHARED SERVICES

PHASE 1 – Business Area Assessment for Procurement

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
Summary of Shared Service Opportunity	• **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			• 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 pressingly 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
Issues / Constraints	• 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.			• 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
	• 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.			Herefordshire collaboration, will often deliver greater value • 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	Total: £15m pa (influencable) • Medical and Clinical supplies • Adults Social Care	Total: £40-45m pa • Medical and clinical supplies • Hospital PFI	Total: ~£80m pa (£53m categorised), ~2,000 suppliers • Adults Social Care • Highways • Waste • Transport • Temporary staff	• 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	• Staff locations for corporate functions and service areas are dispersed across the estate			• Dispersal places greater emphasis on MI and systems to allow "virtual" team working
Processes	• Strategic - utilise HPC, NHS Supply Chain, NHS PASA •	• Strategic - utilise HPC, NHS Supply Chain, NHS PASA •	• Strategic – corporate deals in place for common spend, utilise West Mercia Supplies, devolved	• 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	• 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	• EROS (P2P) with catalogue functionality but no e-mail notification • Integra (finance system) • No electronic interface between P2P and finance system	• Cedar (finance system) • Manual pads used to issue PO's • Some use of Order Processing via Cedar across HC (10-15% of PO's)	• 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	• All orders verified by central transaction team • Contract monitoring/ management devolved to service areas	• Aligned with PCT practice	• Manual processes and initial spend analysis indicate risk of non-compliance on common spend • Contract management on common spend led by WMS	• 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%	• 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	• Further work needed to establish the complex procurement capabilities of the three organisations. This is likely to identify requirements for up-skilling

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
Summary of Shared Service Opportunity **Issues /**	**Service Delivery Model:** there is an opportunity to provide key Finance service lines on a shared basis: • **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 **Savings Delivery:** both efficiency and cashable savings can be realised from centralising, standardising, integrating and automating transaction processing and financial reporting. **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. **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. • The three partners are separate legal entities, therefore separate ledgers, organisation data, and master files need to be maintained			• Opportunity arises from sharing repetitive transactional processes, and consolidating core expertise and business support skills. • Processes are operated across three ledgers at present: • 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 form implementing minor systems/procedural

<table>
<tr><th>Organisation
Key Activity</th><th>PCT</th><th>HHT</th><th>HC</th><th>COMMENTARY</th></tr>
<tr><td>Constraints</td><td colspan="3">• 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</td><td>improvements as part of the migration to shared services.
•
• 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</td></tr>
<tr><td>Processes/ Service Lines in scope</td><td colspan="3">• Financial Accounting
• 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
• <i>(Treasury Management: NOT included)</i>
• Update and Maintain Asset register
• Manage Charitable Funds
• <i>(Prepare Statutory Accounts: NOT included)</i>
• Prepare Quarterly Accounts
• Produce financial reports (systems/spreadsheet)
• Provide budgeting, forecasting and reporting services</td><td>• S/M/TP:
• TP
• TP
• TP
• M
• <i>N/A</i>
• M
• M
• <i>N/A</i>
• M
• TP
• M</td></tr>
</table>

<table>
<tr><th>Organisation
Key Activity</th><th>PCT</th><th>HHT</th><th>HC</th><th>COMMENTARY</th></tr>
<tr><td></td><td colspan="3">• Provide Management Accounting Services (monitoring, project support, financial commentary, HC budget setting)</td><td>• M</td></tr>
<tr><td></td><td colspan="3">• Provide strategic advice & support</td><td>• S</td></tr>
<tr><td></td><td colspan="3">• **Manage Revenue Cycle**</td><td></td></tr>
<tr><td></td><td colspan="3">• Produce and Remit Customer Invoices</td><td>• TP</td></tr>
<tr><td></td><td colspan="3">• Bank and Process Receipts</td><td>• TP</td></tr>
<tr><td></td><td colspan="3">• Process Sundry Cash Receipts</td><td>• TP</td></tr>
<tr><td></td><td colspan="3">• Manage Debtors (incl overpayment recovery)</td><td>• M</td></tr>
<tr><td></td><td colspan="3">• **Accounts Payable**</td><td></td></tr>
<tr><td></td><td colspan="3">• Prepare Invoices (incl Provider)</td><td>• TP</td></tr>
<tr><td></td><td colspan="3">• Input invoices & store (incl Provider)</td><td>• TP</td></tr>
<tr><td></td><td colspan="3">• Pay Suppliers</td><td>• TP</td></tr>
<tr><td></td><td colspan="3">• Manage Creditors</td><td>• TP</td></tr>
</table>

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	• Represents the minimum performance standard for a shared service • Note: a number of consolidated invoices within processes stats
Locations:	• Plough Lane	• Trust HQ	• Plough Lane • Thorne (payments & payroll) • Town Hall (Manage Debtors)	• Minimal presence outside of Plough Lane
Current Technology / Systems	• Integra GL & report writer - Org. views have not been set up or used therefore no direct access to consolidated reports • Manual interface with Payroll	• Integra GL with chart of accounts • Manual interface with Payroll	• Cedar GL with chart of accounts • Manual interface with Payroll	• Note Integra configurations are different. Need to assess whether these can be normalised.

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
Summary of Shared Service Opportunity	**Service Delivery Model:** there is an opportunity to provide key HR service lines on a shared basis: • **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 **Savings Delivery:** both efficiency and cashable savings can be realised from centralising, standardising, integrating and automating transaction processing and HR reporting. **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. 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			• 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 form 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**
Issues / Constraints	proposed HC ERP system, and the PCT/HHT system. This would promote the development and delivery of more coherent and integrated MI data, particularly for JMT. 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. • 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.			• 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** • 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** • 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 / Key Activity	PCT	HHT	HC	COMMENTARY
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:	• Plough Lane	• Trust HQ	• Plough Lane • Castle Green	• HC/PCT has a small presence outside of Plough Lane, particularly at Castle Green Training Centre
Current Technology / Systems	• ESR • Integrated with Payroll	• ESR • Integrated with Payroll	• CHRIS • Teachers system runs FoxPro separately to CHRIS • No interface with Payroll	• HC currently running a major change programme to move to an integrated ISS solution

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
Summary of Shared Service Opportunity	**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.) **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. **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 **Enabling technology:** • **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. .			• 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: • Cedar: (HC) • Integra: (PCT & HHT, but different configurations)
Issues /	• Each payroll section deals with totally different terms and conditions, and within each			

Organisation **Key Activity**	**PCT**	**HHT**	**HC**	**COMMENTARY**
Constraints	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. • 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	**Manage Payroll** • Manage payroll system • Process payroll updates • Process movers/ starters/ leavers changes • Run payroll • Provide Pension support service • Process Expenses			• **S/M/TP:** • TP • TP • TP • M • TP
Organisation & Resources in scope:	**PCT**	**HHT**	**HC**	**TOTALS**
FTEs:	-	9.81	11.2	**21.01**

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
Pay Costs:	-	£ 302 k	£ 225 k	**£ 527k**
Agency Costs:	Nil			
Direct Costs:	-	£ 5k	£ 23K	**£ 28k**
Performance / Productivity	-	• Payslips: 62,604 pa • Error rate: 0.29%	• Payslips: 81,121 pa • Error rate: 0.06%	
Locations:	-	• Trust HQ	• Thorne (payments & payroll)	• HHT payroll established in temporary accommodation at Trust HQ
Current Technology / Systems	-	• ESR	• Selima	• Note : ESR is mandatory

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
Summary of Shared Service Opportunity	• **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.			• 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.
Issues / Constraints	• **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.			• 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**
	• **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.			Performance / Information Services, and up to 22 already identified in other functions). • 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	• Total: £2.88m pa • FTEs: 54	• Service shared with PCT so accounted	• Total: £6.99m pa • FTEs: 103	

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
Focus	• Focus on operational ICT service, application development and management, and portfolio management.	for in PCT budget	• Focus on operational ICT service, application development and management, and portfolio management.	
Organisation & Resources	• Organised into: • Portfolio Management • IT technology operations • IT application management • Applications development.	• Service shared with PCT so no dedicated headcount	• Organised into: • Client & support services • Technical Architecture • IT technology operations • IT application management • Applications development • Knowledge management	• 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: • 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
				organisations. Account management developed in HC, but no equivalent in PCT. • 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	• 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.			• Complex physical dispersion of support needs
Processes	• PRINCE2 and ITIL (v3) training being rolled out. • Information Governance and Assurance in line with CfH frameworks at high level of maturity.	• As PCT	• ISO27001 certification already in place. • ITIL / ISO20000 in discussion. • CIPFA and SOCITM benchmarking in place for ICT service and external web sites respectively.	• 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	• Over 120 applications, range of supported and	• Included in PCT	• Over 900 identified applications and data sets plus	• 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.	rationalisation. • 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	• Low level of contract administration support across all areas.	• Low level of contract administration support across all areas.	• Low level of contract administration support across all areas.	
Performance / Productivity	• Lower cost of service provision than HC on a like for like basis, but over a different user population.	• As PCT	• 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.	• 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: o Efficiency (costs per user / workstation) o Customer and user service. o Acquisition costs

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
				○ Service incident resolution.
Major Contracts inc renewal dates	• 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)	• As PCT	• 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)	• 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) .

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
Summary of Shared Service Opportunity	**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. • **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 run 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			• 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

<table>
<tr><th>Organisation
Key Activity</th><th>PCT</th><th>HHT</th><th>HC</th><th>COMMENTARY</th></tr>
<tr><td></td><td colspan="3">helpline, allocate resource to maintenance jobs, track start dates to completion and provide management reports.
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).</td><td>in future work.</td></tr>
<tr><td>Issues / Constraints</td><td colspan="3">• 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.</td><td>• PCT and HC use different systems for works management (Shire and Cupid respectively). Cupid is unsupported by HC ICT.</td></tr>
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Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
	- **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	- N/A	- £43k	- £549k	- £592k
Memo: Agency FTEs	- 0	- 0	- 17.4	- 17.4
Direct costs	- £61k	- £77k	- £103k	- £976
Performance / Productivity			The Council has adopted the Audit Commission Performance Indicators for Estate Management. There are 5 Primary PIs and 11 Secondary PIs. NaPPMI (National Property Performance Management Initiative) collates Asset Management performance indicators including: - Condition of operational and non-operational portfolio - % change in maintenance - Energy and water costs Herefordshire Council subscribe to a Benchmarking Club called	

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
			COPROP which measures customer satisfaction for building maintenance.	
Location	Belmont	Hospital site	• Franklin house • Reception staff at other HC sites	
Processes	• 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	• Shire – a works maintenance system for managing maintenance service and producing job tickets. • EROS - requisition	• EROS used for ordering	• 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		council) - 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	- Sunlight - Linen management - Number of maintenance contracts exist for specialist equipment	PFI deal - £13.5 million per year	- 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	- 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	

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
			manager meets with Amey weekly to review progress • 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	

PHASE 1 – Business Area Assessment for Transport

Organisation Key Activity	PCT	HHT	HC	COMMENTARY

Summary of Shared Service Opportunity	**Service Delivery Model:**
	• **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:**
	  • 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.
				• 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**
	Management of leased and pooled car contracts should also transfer to the shared service centre. • **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.			out to compare lease car contract prices across the three organisations to identity potential savings. • 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	• 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
FTEs[1]	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

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[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 Key Activity	PCT	HHT	HC	COMMENTARY
Direct costs	£ 13k	£ 18k	£ 54 k	£ 85k
Performance / Productivity	Not available	Not available	• 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	• Plough Lane • Belmont acts as a hub for non-patient transport, with HHT and HC linking in to the site	• Brockington	• Plough Lane • 3 accident investigation staff are based at Thorne with highways	
Processes				**S/M/TP (Service Delivery) :**
	• Public transport contracts & community transport support			**Monitoring**
	• Highways development control			**Monitoring**
	• Transport policy & strategy			**Monitoring**
	• Road safety			**Monitoring**
	• Integrated transport			**Monitoring**
	• Admin			**Service Delivery**
	• Manage contract cars			**Monitoring**

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
	• Stores management • Delivering supplies • Transport management			**Service Delivery** **Service Delivery** **Service Delivery**
Technology / Systems	• N/A	• N/A	• IMAFS – finance system shared with highways. • 'Accession' - DFT route mapping system for route optimisation	
Major Contracts inc renewal dates	• Pool cars sourced through PASA (Purchasing and Supply Agency). • 3 year car insurance contract sourced through Healthcare Purchasing Consortium	• Non- passenger transport PFI with Atkins. • Three year contract with Patient First for Passenger transport (expires 2012)	• 73 contracts for operating bus routes with a total value of circa £2milion • 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

Organisation / **Key Activity**	**PCT**	**HHT**	**HC**	**COMMENTARY**
Summary of Shared Service Opportunity	**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. • **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.			• 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
Issues / Constraints	Trusts look towards specialist NHS knowledge as currently provided externally: HC audit team believe that this can be provided at either current or reduced costs.			• PCT and HT buy in Internal Audit resources
Organisation & Resources in scope:	**PCT**	**HHT**	**HC**	**TOTALS**
FTEs:			9.9	**9.9**
Pay Costs:			£ 297k	**£ 297k**
Agency Costs:			£ 97k	**£ 92k**
Direct Costs			£ 21K	

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
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	• Co-ordinated from Plough Lane	• Co-ordinated from Trust HQ	• Based in Brockington	•
Processes	• 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.	• Annual Audit Plan developed by Audit Commission for external audit and RSM Bentley Jennison for Director of Finance for internal Audit	Annual Risk based audit plan approved by Audit and Corporate Governance Committee covering: • Fundamental Financial Systems • Strategic Risks • Operational Risks • Corporate Governance • Audit of IT Systems • Fraud • Consultancy & Advice • Grant Certification • Other Audit	•
Technology / Systems	• N/A	• N/A	In-house bespoke database – TARDIS (Legacy)	•
Compliance &	Contract monitored	Contract Monitored by	N/A	

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
Contract Monitoring	against SLA by Director of Resources	Director of Finance		
Performance / Productivity Measurment	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

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PHASE 1 – Business Area Assessment for Legal

Organisation **Key Activity**	**PCT**	**HHT**	**HC**	**COMMENTARY**
Summary of Shared Service Opportunity	**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			•
Issues / Constraints	• Trusts look towards specialist NHS knowledge as currently provided – could this be provided centrally at current costs? • Key areas of concern for HHT are : • Defending Medical Negligence • Dealing with Medical disciplinary cases			• Feedback from HHT meetings is that the expertise is not currently vested within the Council
Spend & Key Categories	£157,230 legal fees	£67,620 legal fees	• £182,399 legal fees • £0.9m employment costs	•
Organisation & Resources in scope:	**PCT**	**HHT**	**HC**	**TOTALS**
FTEs:			21.57	**21.57**
Pay Costs:			£ 743k	**£ 743k**
Agency Costs:				

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
Direct Costs:	£ 157k	£ 68k	£ 182k	**£ 407**
Location	•	•	• Brockington • Blackfriar's (Corp.Risk) • Town Hall	•
Processes	•	•	•	•
Technology / Systems	•	•		•
Compliance & Contract Monitoring				
Performance / Productivity				
Major Contracts inc renewal dates				

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
Summary of Shared Service Opportunity	**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. • **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. **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. **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.			• 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.
Issues / Constraints	• **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 **Key Activity**	**PCT**	**HHT**	**HC**	**COMMENTARY**
	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	• £381k (spend on print services)	• £177k (spend on print services)	• £651k (spend on print services)	• £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			TP/ Service Delivery
Technology / Systems	N/A	N/A	N/A	
Major Contracts inc renewal dates	Nine suppliers were used between April 08 and March 09. Largest values were: • The Whitley Printing Co. - £33,684.81 • DG2 Limited - £18847 • ABC Print Hereford	Quotes are gathered from 3 suppliers: • 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

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
Summary of Shared Service Opportunity	**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. • **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.			• Note: Information Services FTEs/ Costs/ processes, are not included in this BAA.
Issues / Constraints	• More detailed investigation would be required to understand the effort and expenditure spent on communications and marketing activities and the potential efficiencies.			•
Organisation & Resources in scope:	**PCT**	**HHT**	**HC**	**TOTALS**
FTEs:	Integrated Team (HC & PCT), 1 FTE funded by PCT	1.15	8.62 (including 1 FTE funded by PCT)	**10.62**

Organisation Key Activity	PCT	HHT	HC	COMMENTARY
Pay Costs:	(see HC)	£ 37k	£ 266k	**£ 371k**
Agency Costs:	Nil			
Direct Costs:			£ 170k (see below)	**£ 170k**
Spend & Key Categories		N/A	• £266K - Staff costs • £150K - Publications Budget • £20K – Total Service running costs	• HHT communications role recently appointed, to be managed by Company Secretary
Location	• Brockington	• HHT HQ	• Brockington	•
Processes	• Press, publicity & marketing • Internal Communications • Design & Branding • Administration support • Service Management	•	• Press, publicity & marketing • Member Communications • Internal Communications • Design & Branding • Administration support • Service Management (Head of Service)	• 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 Key Activity	PCT	HHT	HC	COMMENTARY
Major Contracts inc renewal dates	N/A	N/A	N/A	

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PHASE 1 – Business Area Assessment for Emergency Planning

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
Summary of Shared Service Opportunity	**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 **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			•
Issues / Constraints	• 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			•
Organisation & Resources in scope:	**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 only employed part way through year, annual cost estimated at £42K p.a.)	£ 7k	£ 115k (HC employing additional resources for 09/10)	**£ 142k**

Organisation **Key Activity**	**PCT**	**HHT**	**HC**	**COMMENTARY**
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)	• 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	• Brockington	• Trust HQ	• Brockington	•
Processes	• 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	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	• 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	•

Organisation / Key Activity	PCT	HHT	HC	COMMENTARY
	training • 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	• Emergency Planning Development • Emergency Planning Developments – work needed in addition to basic list. • Business Continuity & Support	• Exercising business continuity plans • Managing Business Continuity incidents	
Technology / Systems	• MS Office	• MS Office	MS Office	•

Annex 3: Composition of transition and implementation support

Summary Days by Team Member
Internal

		Source (I or E)	Daily rate	Disc Rate	Est.days	Est Cost	Team Key:
Transition Team							
SSTM	1	I	800		**414**	**331,200**	Shared services transition manager
SSTMA	2	I	400	**0%**	**180**	**72,000**	Shared services transition manager (assistant/support)
SSLPA	3	I	400	**0%**	**38**	**15,200**	Shared services Lead Partner
PMO	4	I	400		**414**	**165,600**	Project management office
BA-FIN	5	I	400	**0%**	**135**	**54,000**	Business analyst - Finance
BA-HR	6	I	400	**0%**	**135**	**54,000**	Business analyst - HR
BA-ICT	7	I	400	**0%**	**171**	**68,400**	Business analyst - ICT
BA-OTH	8	I	400	**0%**	**150**	**60,000**	Business analyst - Other
TECH	9	I	400	**0%**	**50**	**20,000**	Technology specialist
ODCM	10	I	400	**0%**	**249**	**99,600**	Organisation design and change management specialist
ADMIN	11	I	400		**194**	**77,600**	Administrator
TOTAL					**2,130**	**1,017,600**	
Procurement Team							
CM1	12	I	800		**180**	**144,000**	Commercial manager
SRM	13	I	400		**214**	**85,600**	Supplier relationship manager
BA-P	14	I	400	**0%**	**178**	**71,200**	Business analyst - Procurement
CONTM	15	I	400		**220**	**88,000**	Contracts manager
CONTM-1	16	I	400	**0%**	**136**	**54,400**	Contracts manager (support)
CONTM-2	17	I	400	**0%**	**136**	**54,400**	Contracts manager (support)
TOTAL					**1,064**	**497,600**	
BAU Team							
BAUM	18	I	400		**50**	**20,000**	Business as usual manager
ICT	19	I	400		**413**	**165,200**	ICT manager
HRA	20	I	400		**299**	**119,600**	HR manager
FIN	21	I	400		**50**	**20,000**	Finance manager
TOTAL					**812**	**324,800**	
GRAND TOTAL					**4,006**	**1,840,000**	

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	Team Key:
Transition Team									
SSTM	1	I	800		414	331,200	331,200	0	Shared services transition manager
SSTMA	2	E	1,715	0%	180	308,700	0	308,700	Shared services transition manager (assistant/support)
SSLPA	3	E	2,210	0%	38	83,980	0	83,980	Shared services Lead Partner
PMO	4	I	400		414	165,600	165,600	0	Project management office
BA-FIN	5	E	1,416	0%	135	191,160	0	191,160	Business analyst - Finance
BA-HR	6	E	1,201	0%	135	162,135	0	162,135	Business analyst - HR
BA-ICT	7	E	1,715	0%	171	293,265	0	293,265	Business analyst - ICT
BA-OTH	8	E	1,201	0%	150	180,150	0	180,150	Business analyst - Other
TECH	9	E	800	0%	50	40,000	0	40,000	Technology specialist
ODCM	10	E	1,715	0%	249	427,035	0	427,035	Organisation design and change management specialist
ADMIN	11	I	400		194	77,600	77,600	0	Administrator
TOTAL					2,130	2,260,825	574,400	1,686,425	
Procurement Team									
CM1	12	I	800		180	144,000	144,000	0	Commercial manager
SRM	13	I	400		214	85,600	85,600	0	Supplier relationship manager
BA-P	14	E	1,715	0%	178	305,270	0	305,270	Business analyst - Procurement
CONTM	15	I	400		220	88,000	88,000	0	Contracts manager
CONTM-1	16	E	1,416	0%	136	192,576	0	192,576	Contracts manager (support)
CONTM-2	17	E	1,416	0%	136	192,576	0	192,576	Contracts manager (support)
TOTAL					1,064	1,008,022	317,600	690,422	
BAU Team									
BAUM	18	I	400		50	20,000	20,000	0	Business as usual manager
ICT	19	I	400		413	165,200	165,200	0	ICT manager
HRA	20	I	400		299	119,600	119,600	0	HR manager
FIN	21	I	400		50	20,000	20,000	0	Finance manager
TOTAL					812	324,800	324,800	0	
GRAND TOTAL					4,006	3,593,647	1,216,800	2,376,847	

Herefordshire Council

NHS Herefordshire

Hereford Hospitals NHS
NHS Trust