

MEETING:	CABINET
DATE:	22 JULY 2010
TITLE OF REPORT:	SHARED SERVICES: UPDATE
PORTFOLIO AREA:	CORPORATE & CUSTOMER SERVICES AND HUMAN RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

On 18 March 2010 the Cabinet agreed that the Council's preferred option for the delivery and commissioning of shared services would be a Joint Venture Company (representing a public public partnership) involving Herefordshire Council (HC), NHS Herefordshire (NHSH) and Hereford Hospitals NHS Trust (HHT). The Cabinet authorised the Deputy Chief Executive (DCE) to progress and take all necessary steps to establish a JVCo in consultation with the Leader and Deputy Leader of the Council and Trust Boards.

A further report seeking a formal decision to agree terms of the Council's participation in the JVCo is to be presented in September 2010. The purpose of this report is to update the Cabinet on the progress to date and next steps on the Shared Services Programme.

A similar update report is scheduled for the NHSH Board on 21 July 2010.

Key Decision

This is not a key decision.

Recommendation

THAT Cabinet

- (a) Note progress made on the Shared Services Project since March 2010 and**
- (b) Note the current challenges and risks, principally:**
 - i. Review of the Business Case;**
 - ii. Partnership agreement for establishing the JVCo;**

Further information on the subject of this report is available from Dean Taylor, Deputy Chief Executive on
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- iii. **Fundamental requirement for cultural and process change across the whole of HPS to deliver savings;**
- iv. **Implementation of the Agresso system in April 2011;**
- (c) **Note the key role of all stakeholders in leading the organisational and cultural changes required to deliver transformed support services and savings;**
- (d) **Note that a further report seeking formal decision to agree terms of the partners' participation in the JVCo will be presented to the Board and Cabinet in September.**

Key Points Summary

This report outlines progress made on Shared Services.

- The current scope of services included are:

Finance	Procurement
ICT Services	Human Resources
Payroll and Expenses	Estates
Transport	Internal Audit
Legal	Printing and Distribution
Communications and PR	Emergency Planning

- The Cabinet and the PCT Board endorsed the decision of a public/public joint venture company ("JVCo") as the preferred option for Shared Services in March 2010;
- The Business Transformation Board (BTB) have recommend a two stage process; (1) the establishment of JVCo to deliver short to medium term (1/2 years) benefits and (2) the further consideration of the strategic private sector partner option for the longer term (after 2/3 years);
- The Cabinet and the PCT board authorised the Deputy Chief Executive (DCE) to progress and take all necessary steps to establish a JVCo in consultation with the Leader and Deputy Leader of the Council and Trust Boards;
- Key areas of work since March have included:
 - Engaging support services in scope and users of those services in the design of the future functions and what this means for changes to processes and how we work, including increasing self service
 - Updating the investment appraisal in the Business Case, to reflect changes to structures since August 2009 and the decision to use a JVCo as the delivery vehicle
 - Appointment of legal advisers and an interim CEO for the JVCo

Reasons for Recommendations

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

Introduction and Background

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

Key Considerations

3. A number of key public service drivers underpin the Shared Services work, these include:
 - i. Making local public services more joined up, customer focused and responsive, so that they are easier to understand and access
 - ii. Maintaining a strong sense of place for Herefordshire
 - iii. Consideration the likely outcomes of the Public Sector finance review and need to secure efficiencies and provide value for money
 - iv. Increasing the quality of service with against a background of increasing demand for many front line services

These drivers are reflected in the design principles for the shared services within the business case already agreed by the Cabinet. The Shared Services Project forms a key part of the Streamlining the Business workstream of the overall Transformation Programme.

Background Information

4. The Cabinet and the PCT Board approved the choice of a public/public joint venture company ("JVCo") as the preferred option for Shared Services in March 2010;
5. The Business Transformation Board (BTB) have recommend a two stage process; (1) the establishment of JVCo to deliver short to medium term (1/2 years) benefits and (2) the further consideration of the strategic private sector partner option for the longer term (after 2/3 years);
6. The Cabinet and the PCT board authorised the Deputy Chief Executive (DCE) to progress and take all necessary steps to establish a JVCo in consultation with the Leader and Deputy Leader of the Council and Trust Boards;
7. A detailed investment appraisal for the JVCo is being prepared. This will include; the anticipated costs of transitioning to and then operating the JVCo (the PA business case was based on the strategic partner delivery model), updated estimates on the anticipated benefits (using current expenditure and performance data) and the resulting return on investment;

Progress Since March 2010

8. **Preparation for Transformation:** Service Change Managers (SCM) have been nominated by members of the BTB from both shared service providers and users. Their role is to work on the development of the organisation blueprint for the new operating model for the in-scope shared services. This work is scheduled for completion in September. This will also include the development of costed service directories in conjunction with the Organisational Design Programme. In this way, outputs from the SCM work will support both the Organisational Design and Shared Services initiatives;
9. **Review of the Business Case:** A detailed investment appraisal for the JVCo is being prepared. This will include; the anticipated costs of transitioning to and then operating the JVCo (the PA business case was based on the strategic partner delivery model), updated estimates on the anticipated benefits (using current expenditure and performance data) and the resulting return on investment;
10. In respect of the estimated benefits it has been agreed by the BTB that these are to be updated as a high priority. It has been noted that the business case is now one year old and that changes have been made in a number of services including to achieve the 5% efficiency target. A two pronged approach has been agreed by the BTB; firstly a view from the Directors / Heads of Services on a current projection of the level of efficiencies and secondly to build in the more detailed information from service change managers;
11. **Legal Advice:** The selection and procurement of legal / commercial advisors for the JV Co public / public partnership has been completed by a selection panel representing the partners. Mills and Reeve LLP were selected, with the work beginning 8th of July. The priorities will include; review of powers of the partners to participate in the JV Co and assessment of the suitability of the preferred model , producing a Heads of Terms outline for use in detailed negotiations, advice on employment considerations (terms and conditions, pensions, TUPE etc) and taxation (including VAT considerations);
12. **Interim CEO:** The BTB have agreed the process for the appointment of an interim CEO to set up the 'shadow' JVCo. Suitable candidates are currently being shortlisted. It is anticipated that an appointment will be made during July. The interim appointment will be for a period of up to 12 months. This appointment is key to driving the transformational change, establishing a joint shared services model and bringing commercial skills and knowledge to the JVCo;
13. **Systems Implementation:** The Agresso implementation (new HR, Finance and Procurement systems) has started. Project teams have been drawn together across the three partners, with colleagues participating in design during May and June. The new systems are crucial to transforming and integrating support services. This encompasses and subsumes the remaining Connects Programme and is fully integrated with the Shared Services Project. There is, however, a separate Project Board, Chaired by David Powell, because the size and nature of the project requires senior, targeted and focused leadership;
14. **Partnership Agreement:** Although, HHT remain fully committed to the principle of shared services in Herefordshire, the Trust Board has not formally adopted the JVCo preferred model at this stage. It has asked for a range of issues to be further explored before reaching a final decision on the preferred model - but has committed resources to taking forward the shared services programme on an integrated joint basis notwithstanding that. In addition, a sub-committee of the Service Integration

Programme Board has been established to consider the shared services programme from an Integrated Care Organisation (ICO) perspective so that the linkages between the two can be managed;

15. **Consultation and Engagement:** A staff / Trade Union consultative group has been established and meetings are being held. All three partner organisations are represented on the group;
16. Head of Service briefings have taken place to enable Heads of Service to engage with and communicate progress to staff;
17. A fundamental ingredient to achieving our agreed outcome is cultural change across HPS in relation to expectations of support services. This will require clear SLAs, transparency about costs, more self service and demand management. A change plan will be put in place for this. JMT have received an update on the project and have acknowledged the corporate leadership role alongside the other key elements of the Transformation Programme;
18. **Decisions Required in September:** The reports to Board and Cabinet in July are updates on progress as outlined above; this is important given the scale and importance of the Project. The outcomes from the current work on legal advice, employment considerations and investment appraisal will form the basis of formal recommendations in respect of JVCo which will be presented to the Cabinet and Trust Boards in September. The nature of the final decision may be subject to legal confirmation that these are the appropriate bodies to make this decision.

Community Impact

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

Financial Implications

20. The PA Business Case assumed savings from the Shared Service project of between £4.2m to £5.4m and a reduction in posts of between 104-140 FTEs. Implementation costs were based upon a strategic partner procurement;
21. As stated above, the Business Case is being revised to address:
 - a. Current estimated range of savings
 - b. Estimated implementation costs, based on a JVCo model
 - c. Estimated Pay Back

Legal Implications

22. There are a range of complex legal issues to be addressed and resolved as the initiative progresses. External legal advisors who are expert in the set-up of the public/public JVCo have been appointed for this purpose. These legal implications will be fully explored and resolved and presented for Board and Cabinet consideration;

Risk Management

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

Alternative Options

24. Alternative options have been evaluated as part of the options appraisal;

Consultees

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

Appendices

- None.

Background Papers

None