

MEETING:	CABINET
DATE:	21 OCTOBER 2010
TITLE OF REPORT:	SHARED SERVICES
PORTFOLIO AREA:	CORPORATE & CUSTOMER SERVICES AND HUMAN RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

The purpose of this report is to update Cabinet on the progress since the update provided on 22 July and to recommend the next steps on the Shared Services Programme in light of the further work that has been undertaken to revise the Business Case evaluate various delivery models and develop the future shape of support services. In particular, it signals a significant milestone in the project and sets out the detail of the Programme moving from the planning phase to implementation phase.

It also asks Cabinet to recommend to Council that a Joint Venture Company be established on terms to be agreed.

A similar report is scheduled for the NHS Herefordshire (NHSH) and Hereford Hospitals Trust (HHT) Boards later this month.

Key Decision

This is a key decision as it is significant in terms of its effects on communities living or working in an area comprising one or more wards in the County and result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates.

Recommendation

THAT Cabinet

- (a) Agrees to enter into formal shared service arrangements with its partners, NHS Herefordshire (NHSH) and Hereford Hospitals Trust (HHT), adopting a 'multi-source' approach; enabling different fit-for-purpose models to be used to deliver Shared Services for each service or group of services;**

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

- (b) Endorses the establishment of a Joint Venture Company and recommends to Council that such a Company be established;**
- (c) Delegates the negotiation and agreement of the Heads of Terms for the Shared Service arrangement and for the establishment of the Joint Venture Company to the Chief Executive (with appropriate liaison with the Chief Executive of HHT);**
- (d) Instructs the Chief Executive to undertake a full consultation with employees within the scope of the Shared Services programme, in accordance with policy and procedure for implementing these changes;**
- (e) Instructs the Chief Executive to report progress of the implementation, as part of the corporate performance reporting process, linked to key milestones with risk management reports;**
- (f) Agrees to establish a 'Shadow Board' consisting of representatives from the three partners in order to provide strategic governance during the implementation phase.**

Key Points Summary

- This report outlines progress made on Shared Services and the key steps required to implement the project.
- An external review of the Shared Service business case has been undertaken by Capita plc. The main conclusion from this review is that the case for Shared Services remains a robust and viable one and it is capable of delivering savings of £4.3m per annum after full implementation. The review has also identified that approximately £1.02m of these savings have already been delivered by the early implementation of some of the proposals to reduce costs. These savings have contributed to existing efficiency targets in 2010/11.
- In addition to the four earlier options of setting up a Joint Venture Company, appointing a Strategic Partner, using a Joint Procurement framework or agreeing a Lead Commissioner/Provider approach, a number of new models for delivering Shared Services were also considered against a refined set of evaluation criteria.
- The Business Transformation Board (BTB) are recommending a "multi-sourcing" approach with service clusters being grouped and transferred into a shared provision in different models. This would result in more than one delivery model for Shared Services. So, for example, a Joint Venture Company could deliver some shared services such as the 'back office' support services of Human Resources, Payroll, Finance and Procurement. Other services such as Transport, Asset Management and Property could be delivered with a Strategic Partner or other appropriate model. Further detailed analysis and planning is on-going to determine the most appropriate model for each service.
- This report describes how the Shared Services programme is now moving from the planning phase to the implementation phase. Once agreement has been reached on the direction proposed in this report it is intended to move ahead with the appropriate pace required to achieve the transition, minimise further uncertainty for employees and begin to deliver savings and other benefits.
- This report also seeks support for the establishment of a Shared Service Joint Venture Company.

Reasons for Recommendations

To ensure that Cabinet is briefed, and to agree the way forward to enable the projected benefits and costs savings to be delivered.

Introduction and Background

1. Cabinet received an update on 22nd July 2010 on Shared Services. In this report it was noted that a review of the business case for Shared Services was being undertaken to ensure that it remained robust and viable. In addition, the links with the establishment of the Integrated Care Organisation (ICO) were set out. The report stated that a formal decision to agree terms of the partner's participation in a Shared Services Joint Venture would be presented later in the year.
2. The changing national environment means it is essential that the Shared Services programme continues to meet local outcomes in an increasingly challenging economic environment.
3. In progressing the implementation of Shared Services, the Council, NHS Herefordshire (the PCT) and Hereford Hospital Trust (HHT) collectively form the Herefordshire Shared Services Partnership (HSSP).

Key Considerations

4. 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 they are easier to understand and access;
 - ii. Maintaining a strong sense of place for Herefordshire;
 - iii. The need to secure greater efficiencies and provide value for money; particularly in light of the likely outcomes of the Comprehensive Spending Review;
 - iv. Increasing the quality, responsiveness and sustainability of services against a background of increasing demand;
5. These drivers are reflected in the design principles and evaluation criteria for Shared Services within the business case already agreed by the Cabinet. These are summarised in Appendix A.
6. The weightings of the evaluation criteria in Appendix A have been reviewed to reflect the changing economic environment which has increased the need for all public sector organisations to reduce costs and demonstrate value for money.
7. The Comprehensive Spending Review will have reported on 20 October 2010. It is expected to set out in detail the allocation of public sector expenditure for the duration of the current parliament. It is likely to require significant further efficiency savings. It may contain proposals that impact on the Shared Services programme and an impact assessment will be carried out.
8. In July 2010, the Department of Health published a White Paper entitled "Equity and Excellence - Liberating the NHS". This document set out the proposed future direction of key health organisations including the Strategic Health Authority and Primary Care Trusts. The White Paper proposals envisage that the Primary Care Trust network will

cease to exist by 2013 with General Practice (GP) consortia leading the commissioning of health care services.

9. These changes are compatible with Herefordshire's overall approach to integration, which will evolve to ensure that adequate support is in place for the emerging GP consortia. This may also present an opportunity for Shared Services to develop further in the future.
10. Herefordshire remains 'ahead of the game' and well positioned in terms of transitioning to a Shared Service provision for 'back office' services.
11. The Shared Services programme is an integral part of the 'Streamlining the Business' work-stream within "*Rising to the Challenge*" the Herefordshire Public Services (HPS) Transformation Programme.
12. The current scope of services included in the Shared Services programme are:
 - Finance
 - Procurement
 - ICT Services
 - Human Resources
 - Payroll and Expenses
 - Asset Management and Property
 - Transport
 - Revenues and Benefits
 - Internal Audit
 - Legal
 - Communications and PR
 - Emergency Planning
13. A Service Change Manager has been appointed for each service and a detailed assessment has been completed as to which parts of these in-scope services will transition to the Shared Services Organisation (SSO), and how each service will deliver the savings. A Target Operating Model is being developed which details how each Shared Service will look.
14. A key consideration will be ensuring that the service user requirements of the new Shared Service Organisation (SSO), such as front line service staff, are captured as part of the analysis. Client-side managers have been involved in the service assessments described above.
15. On September 27th 2010, the Overview and Scrutiny Committee considered an update on Shared Services and provided feedback which has helped to shape this report, including the need to keep operational costs of the Joint Venture Company to a minimum. An extract from the draft minutes from this meeting are in Appendix E. These draft minutes are subject to approval on October 18th 2010.

Updating the original Shared Services business case

16. The PA Consulting business case upon which the original decision to proceed with a Shared Services programme was based was completed last year. This business case, and its investment appraisal, has now been comprehensively reviewed by the three partners and the lead Directors/Heads of Service responsible for each service in scope.

This has been done so as to ensure the case for Shared Services remains viable, is fully owned by those accountable for the services, and takes into account changes in the local and national economic and political environment.

17. The PA business case concluded that savings of between £4.1m to £5.3m could be achieved across the three partner organisations, based upon a strategic partner outsourcing.
18. The internal review has confirmed that savings can be achieved within this target range, with a target figure of £4.3m per annum after full implementation. The review has also identified that approximately £1.02m of these savings have already been delivered by the early implementation of some of the proposals to reduce costs. These savings have contributed to existing efficiency targets in 2010/11; further detail is presented in the Financial Implications section below.
19. Independent advice has also been received from Capita plc to ensure the integrity and robustness of the financial model and to gauge whether the savings remain achievable.
20. Capita plc has concluded that the process has been thorough with valid assumptions. In addition, Capita plc state that the level of net savings of £4.3m is realistic and achievable. More information on the Capita report is included in the Financial Implications section below.

Models for delivering Shared Services

21. In July 2010, The Business Transformation Board (BTB) recommended a two stage process:
 - (1) Establishment of JVCo to deliver short to medium term (one to two years) benefits
 - (2) Further consideration of the strategic private sector partner option for the longer term (after two to three years);
22. Whilst the setting up a Joint Venture Company was being progressed, it was prudent to assess the viability of some newer models, including mutual or other forms of social enterprise, for delivering shared services in Herefordshire.
23. To help confirm the most appropriate delivery model for each service, the evaluation criteria were updated to reflect the latest developments and the new financial environment. Each viable option has been assessed against the new criteria and their ability to achieve savings.
24. The adjusted evaluation criteria were based on the outcomes agreed by the Business Transformation Board for Shared Services.
25. The outcomes have been re-affirmed as follows:
 1. Modern streamlined support services
 2. Reduced cost of support services
 3. Platform for Integrated Herefordshire Public Services
 4. Best for Herefordshire's economy.

26. The full range of models that were considered against these evaluation criteria were:
 - a. Joint Procurement
 - b. Lead Commissioner/Provider
 - c. Strategic private sector partner
 - d. Joint Venture
 - e. Industrial Provident Society – Community Benefit
 - f. Industrial Provident Society – Co-operative
 - g. Community Interest Company
 - h. Charity
27. The evaluation concluded that the first four models were most likely to achieve the outcomes that we have set and, in particular, to deliver savings. The other models would not be suitable either because they are not legally possible, they offer no advantages, or are actually disadvantageous by, for example, introducing additional costs and overheads of regulation.
28. The other main conclusion was that a combination of models may be needed to deliver savings in a mixed multi-sourced approach. This will ensure that the overall arrangements best meet the objectives set out in the evaluation criteria and that delivery models are best suited to the particular nature of each support service, rather than a “one size fits all” approach.
29. Services may be grouped and shared in different models. Possible service groupings with their preferred delivery model are listed in Appendix B.
30. The detailed evaluation process and the updating of the business case have identified that the transactional elements of the support services of Revenues and Benefits, Human Resources, Payroll and Expenses, Finance, Procurement and ICT are best suited to transition to a Joint Venture Company. These services could provide the largest share of the savings delivered in this way.
31. It was also identified that there may be synergies in considering Asset Management and Property and Transport as a single group; this group could deliver significant savings, possibly by engaging a private sector strategic partner to provide some services. This option will be explored further in the next few weeks taking into account the particular requirements and circumstances of each partner for these services. This will include: a study to examine the potential of the council's current strategic partnership; a review of the market; procurement or negotiation of any new arrangements; definition of new business models required during the transition; and the implementation of the Department of Health's Transforming Community Services guidelines.
32. Services such as Legal and Audit may be best suited to a Lead Commissioner/Provider model as one partner could provide and commission services on behalf of all partners.
33. There is further analysis to be completed on the optimal arrangements and further negotiations and analysis will need to take place, before a final model is determined.

Principles for the Joint Venture Company

34. The partners have concluded it is essential that the proposed Joint Venture Company is both governed and run with low management overheads and operational costs, so as to optimise the efficiency gains for each of the partners. In short, the focus must be on delivering low cost, modern and responsive support services, not on running a company. Appendix C sets out the principles for ensuring low company overheads and maximising operational cost control.
35. A key consideration will be the need for a robust set of Service Level Agreements and challenging Key Performance Indicators being embedded between the Shared Services Organisations and the Client organisations. It is also vital that a vigorous and disciplined business-like approach is adopted to ensure that service levels are maintained whilst costs are kept down. The client commissioning organisations (the three partners) will need to do more themselves and this 'self-service' will be fundamental in driving out the savings.
36. In order to ensure that we maintain focus and momentum, it is proposed that a Shadow Board is established for the Joint Venture, consisting of senior representatives of the three organisations. That Board will oversee the development of the new Joint Venture Company and steer the negotiations with the three partners.

Other Considerations

37. Approval is currently being sought from the Cooperation and Competition Panel to establish an Integrated Care Organisation (ICO) for Herefordshire-wide acute and community healthcare services. The Integrated Care Organisation is scheduled to be established by April 2011.
38. The establishment of the Integrated Care Organisation (ICO) has links with the Shared Services programme in that some of the 'support staff' will either transfer to the ICO or to the Shared Service organisation. The establishment of a Shared Service will assist the ICO in the delivering its management cost saving.
39. The Agresso project is progressing and will implement a new system for four of the key in-scope services – Human Resources, Payroll, Finance and Procurement in April 2011. This will help in the transition to Shared Services and will introduce a range of fully automated self-service transactions over time.
40. An essential part of achieving the benefits in the Shared Services programme is the implementation of a new corporate system for Human Resources, Payroll, Finance and Procurement. This will provide, amongst other things, fully automated self service transactions for employees and managers, reducing the costs of the core functions. Agresso has been selected as the preferred solution and this is now being implemented as a core element of the Shared Services programme. This requirement originally formed part of the original Connects Programme; the remaining element of Connects are being managed by the same project team and overseen by the Business Transformation Board.
41. Progress on Shared Services will be reported on as part of the corporate performance reporting process, together with any remaining elements of the Connects programme not already incorporated into the Shared Services programme.

42. Appendix D sets out a high level timeline for implementing Shared Services.

Consultation and Engagement

43. A staff and Trade Union consultative group has been established. All three partner organisations are represented on the group as are employees from across the partnership.
44. Head of Service briefings have taken place to enable them to engage with and communicate progress to staff. Information about Shared Services is being cascaded through team briefings and using internal communication channels including First Press and the Council/PCT intranet.
45. A fundamental ingredient to achieving agreed outcome is effective cultural change in relation to expectations of support services. This will require clear Service Level Agreements, transparency about costs, more self service and demand management. A change plan is being put in place to help prepare managers and staff to adjust to, and make most effective use of the new ways of using support services.

Community Impact

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

Financial Implications

47. In 2009, the PA Consulting business case concluded savings of between £4.1m to £5.3m could be achieved across the three partner organisations, based upon a strategic partner outsourcing.
48. Over the past three months, the business case was reviewed to address:
- a. Current estimated range of savings, approved by each director.
 - b. Estimated implementation costs, based on a JVCo model.
 - c. Estimated Pay Back period, using the HM Treasury guidance (which is used in all such business case assessments) to discount cash-flow by an annual factor of 3.5%.
 - d. Provide for a number of scenarios, to demonstrate the impact of high, medium and low risk deliverables attached to the benefits.
49. Following this detailed review and assessment, a revised net return of £1.7m in 2011-12 rising to £4.3m in 2016/17 has been agreed. This amounts to savings of £33.3m over 10 years.

50. The £4.3m in recurring savings are projected to commence from 2016/17. The investment being made in Shared Services is expected to break-even in 2011/12.
51. Capita were provided with a clear specification, the overall requirement being to ensure the assumptions made in the financial business case were consistent between the organisations, realistic and achievable. The approach was a process that validates the assumptions for costs, benefits, the integrity of the model and the options therein.
52. Capita's findings confirm there is a robust indication of the levels of savings achievable from the introduction of shared services.
53. This revised business case has been agreed with Directors and approved by the Business Transformation Board.
54. Significantly, £1.02m of the £4.3m referred to above, has already been secured as a result of implementing some of the recommendations in the 2009 Shared Services business case. These savings, benefiting all three partners, have been made in the areas of Procurement, Finance, Human Resources and ICT. The Council has accrued savings of just over £400k of this as a result of this initial Shared Services work.
55. The revised business case includes the costs and benefits from the Agresso project.
56. In addition to the revised Shared Services savings of £4.3m, including those attributable to the implementation of Agresso, further savings will be realised as part of the remaining elements of the Connects programme.
57. The Council's share of future savings is expected to be in excess of 70%, which will be in the region of £3.01m per annum.
58. The table below summarises the overall financial position:

	2010/11	2011/12	2012/13	2013/14	2014/15	2016/2017 onwards
	£'000	£'000	£'000	£'000	£'000	£'000
Costs **	-1057	-1795	-1316	-736	-718	-309
Savings / Benefits	1015	3510	4315	4569	4569	4569
Net Savings	-42	1715	2999	3833	3851	4260

**** Costs include: Agresso project, Shared Services set up costs (including Joint Venture set up and transition costs) and estimates of potential redundancy costs**

NB – Negative figures represent costs and positive figures represent savings

Table A: Projected Shared Services costs and benefits across all three partners.

Legal Implications

59. There are a number of legal considerations that need to be addressed whilst progressing the Shared Services proposal. The partners have procured and used the services of specialist lawyers in the development of these proposals. The specialist advice is reflected in this report. The key issues for consideration in relation to the recommendations in this report are set out below.
60. The evaluation of the models has included an appraisal of the legal issues in relation to each. It is within the vires and powers of each partner to adopt any of the four models that will form the basis of the multi-sourced approach. It is not legally possible for the partners to form an industrial provident society or an unincorporated partnership. The legal requirements of establishing and operating a charity or community interest company have been considered and the constraints and requirements led to the conclusion that those models are unsuitable for delivery of shared services.
61. The establishment of any of the four models will involve significant legal issues which will need to be considered, resolved and reflected in the formal legal arrangements between the partners. These include the governance arrangements, control and management of the organisation(s) or operations by the partners, risk transfer, apportionment of benefits, financing and charging, staff transfer and terms and conditions, protection of employment rights of employees and compliance with HR policies, property and accommodation issues and exit arrangements. These issues will all be addressed during the implementation phase.
62. The Council has agreed that it should develop integrated shared support services with its partners. This is reflected in past Council decisions. However, it is felt legally prudent to ask the Cabinet to recommend the establishment of a Joint Venture company to be the vehicle for the delivery of shared services as outlined in this report. If agreed, this will be recommended to Council on 19 November 2010.
63. The options are fully set out in this report and the report provides the information needed to enable the Cabinet to take the decisions as recommended. The Cabinet must give consideration to the options and to the background information in reaching its decision.
64. There are no other legal implications and the Cabinet are lawfully entitled to reach the decisions as recommended.

Risk Management

65. A full risk analysis has been undertaken and is subject to weekly review. Current risks and mitigations include:
 - a. *Programme Governance* - Strong leadership and sponsorship from the JMT, Hereford Hospitals Trust and the Business Transformation Board will ensure that there is effective governance for the programme. New arrangements have been identified for the next stage of the programme
 - b. *Lack of alignment between this work and other major initiatives.* - The integration of the key transformation programmes with a single governing board has been progressed and Shared Services is part of the 'streamlining the business' work-stream.

- c. *Risk of the review having a negative impact on staff morale.* - This is being mitigated by a comprehensive communication strategy recognising the needs of staff and Trade Unions.
- d. *Return on Investment* (risk that the business case does not justify the investment). - This has been mitigated by the revised investment appraisal, with external assurance.
- e. *Tax/VAT issues.* The NHS and HHT can claim back VAT on contracted out services, if the JV is structured and charged in the right way then both partners could claim back the VAT. The ceiling for VAT claims needs to be monitored.
- f. *Comprehensive Spending Review (CSR)* – The risk that the CSR significantly changes the scope of Shared Services needs to be closely monitored.
- g. *Staff terms and conditions* – Legal advice is being provided to ensure that the legal provisions and guidance are fully understood. The impact of these requirements is fully reflected in the revised business case.

Alternative Options

- 66. Alternative options have been evaluated as part of the options appraisal; Details have been included in the Appendices.

Consultees

- 67. Consultations have commenced and will continue to take place during the Shared Service Review with Members, Directors, and Heads of Service, Service Managers, staff, Unions, non-executive directors (NHS) and partners. A comprehensive communications strategy has been developed to support this work going forward.
- 68. Overview & Scrutiny views have been sought and these are summarised at Appendix E.
- 69. All Political Groups have received, or are scheduled to receive, a presentation on the progress on the Shared Services programme.

Political Groups - Shared Services briefing dates

Labour Group	8 September
Herefordshire Independents	11 September
It's Our County	24 September
Conservative	27 September
Hereford Liberal Democrats	8 November

Background Papers

None identified

Appendices

APPENDIX A. REVISED EVALUATION CRITERIA FOR SHARED SERVICES DELIVERY MODELS.

Table 1: Shared Services: Summary of Revised Evaluation Criteria

Outcome	Revised Objectives	Weighting Factor	Percentage (rounded)
(1) Modern and streamlined support services.	• Facilitating the delivery of improved services to the public.	3	21
	• Providing streamlined and effective support services to internal customers.	4	
	• Enabling the effective commissioning of flexible and innovative support services.	2	
(2) Reduced cost of support services.	• Delivering short-term savings from April 2011 to March 2012	5	35
	• Delivering medium to long-term savings from 2 to 5 years.	5	
	• Providing a substantial return on investment over life of the programme.	5	
(3) Platform for integrated Herefordshire Public Services.	• Enabling the procurement of goods and services on behalf of all three partners.	2	26
	• Providing a platform for expanding joined-up support to other Herefordshire public sector partners.	4	
	• Offering a sound and manageable legal basis for shared services.	3	
	• Enabling costs, risk and reward to be shared appropriately by partners.	2	
(4) Best for Herefordshire economy	• Protecting public service employment in Herefordshire and supports investment in the local economy.	3	19
	• Providing ready access to additional capacity, skills and expertise.	2	
	• Enabling rapid establishment as a sustainable service provider.	3	

APPENDIX B. POSSIBLE SERVICE GROUPINGS

Table 2:

Service	Preferred Models
Confirmed recommendations	
Human Resources	Public/Public Joint Venture Company
Payroll and Expenses	Public/Public Joint Venture Company
Finance	Public/Public Joint Venture Company
Procurement	Public/Public Joint Venture Company
ICT	Public/Public Joint Venture Company
Revenues and Benefits	Public/Public Joint Venture Company
Require further evaluation	
Asset Management & Property Services	Public/Public Joint Venture Company/Strategic Partner
Transport	Public/Public Joint Venture Company/Strategic Partner
Communications	Lead Commissioner / Provider
Legal Services	Lead Commissioner / Provider
Audit	Lead Commissioner / Provider
Emergency Planning	Lead Commissioner / Provider

APPENDIX C. PRINCIPLES FOR THE CONTROL OF THE JOINT VENTURE COMPANY OVERHEADS

Table 3

1. **Lean design:** the design of the management structure of the company will be lean and proportionate, drawing on comparisons with similar organisations.
2. **Using available talent:** the company directors will, where practicable, be drawn from the existing resources of both the partners and the company.
3. **Self-sufficiency:** support and advice to the company’s directors will be drawn from internal resources where possible.
4. **Professionalism:** the senior management of the company will need to demonstrate and develop the competencies required for effective company management.
5. **Measurement:** the company will develop transparent measurement of the organisation’s central overheads.

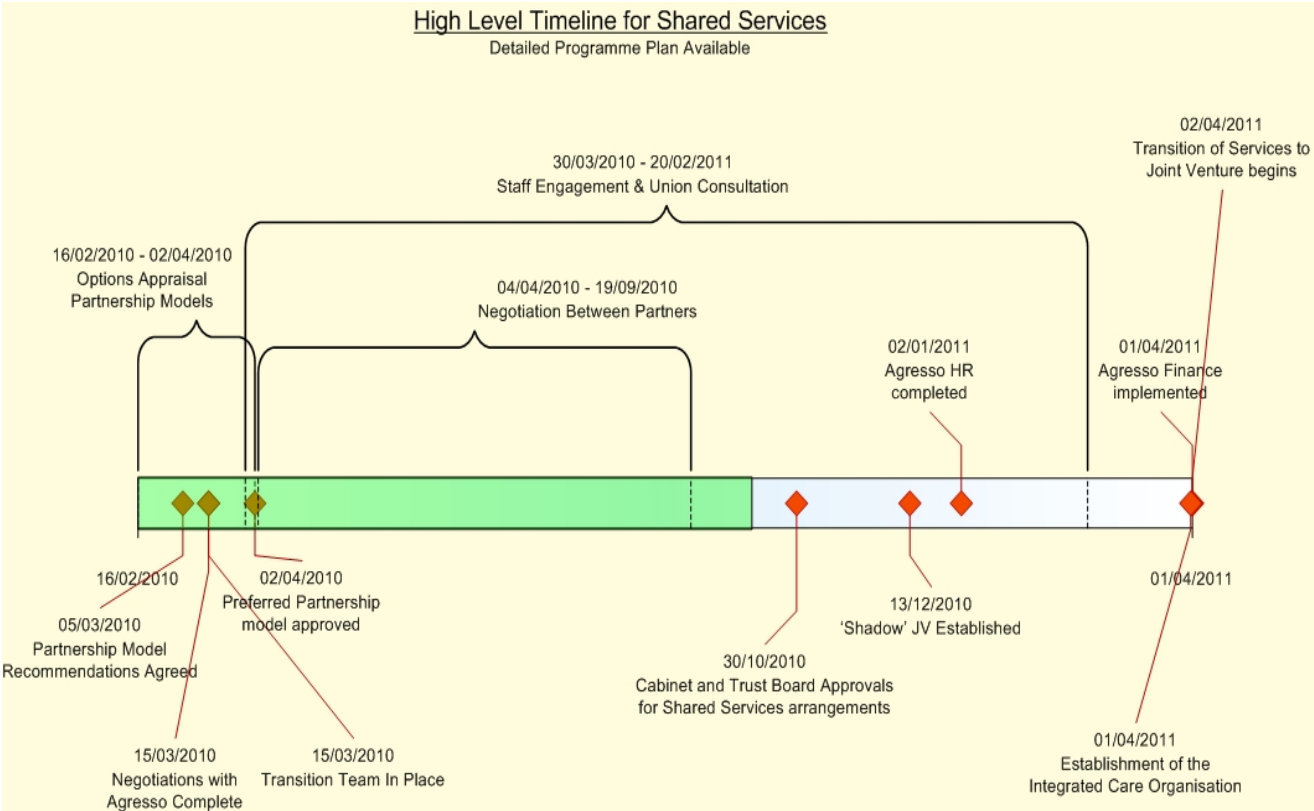
While the control of the company’s overheads is important in ensuring its cost-effectiveness, the greatest impact that the company would be able to make is in the control of operational costs. A set of principles is proposed in table 2 that would inform the design of the company’s performance and financial management and drive continuous efforts to reduce costs.

Table 4 – Principles for Operational Cost Control

1. **Financial control:** accountabilities for sound financial management will be maintained at the appropriate level.
2. **Benchmarking:** regular comparisons will be undertaken to ensure that the cost of the services become and remain competitive.
3. **Transparent charging:** charging mechanisms will be designed to be easily understood and not over-complex.
4. **Fostering innovation:** staff and customers will be involved in the development of new ideas for streamlining the service and reducing costs.
5. **Streamlined processes:** business processes will be simplified where possible to eliminate duplication and waste.
6. **Standardisation:** consistent ways of working will be adopted across the organisation, in accordance with industry standards.
7. **Cost-consciousness:** a culture will be embedded that is committed to cost control and the elimination of waste.

These principles will be used to inform the design and refinement of the Joint Venture Company’s structure and management. They will inform the development of the Service Level Agreements. They will also inform the development of the management structure of the company and it is proposed to present a high-level view of the structure at the Board’s meeting in November. The principles can also be used to inform the development of the governance process for managing the performance of the company in meeting the partners’ objectives.

APPENDIX D. HIGH LEVEL TIMELINE FOR SHARED SERVICES



APPENDIX E. MINUTES FROM OVERVIEW AND SCRUTINY COMMITTEE HIGH LEVEL TIMELINE FOR SHARED SERVICES

HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Overview and Scrutiny Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Monday 27 September 2010 at 9.30 am

Present:

Councillor PJ Edwards (Chairman)

Councillor WLS Bowen (Vice Chairman)

**Councillors: PA Andrews, ME Cooper, KG Grumbley, TM James, PM Morgan
and PJ Watts**

**In attendance: Councillors JP French (Cabinet Member - Corporate and Customer Services
and Human Resources)**

19. SHARED SERVICES UPDATE REPORT

(Councillor PJ Edwards declared a personal interest.)

The Committee considered an update on the Shared Services programme (SSP) and was invited to submit its views on the proposals.

The Interim Assistant Chief Executive – Legal and Democratic gave a presentation. This covered the overall ambition for Herefordshire Public Services; the original statement of the drivers for the development of shared services and their most recent description; and the

objectives of the programme (cost savings, speedy benefit realisation; promotion and regeneration of Herefordshire; protecting employment in the County and presenting a cost-effective solution for the public sector). It outlined changes in terms of the national and local context, their bearing on the SSP; and the priority drivers suggested by the Business Transformation Board on 2 September in response to these changes. The savings identified in the business case for shared services were also reported, noting that these were under review.

A supplementary paper had been circulated on the 9 potential organisational models for delivery of shared services. The presentation commented on the criteria used to evaluate these models. The four models considered viable were described in the agenda papers. The Interim Assistant Chief Executive remarked on the emerging view that one model might not suit all services within the shared services programme and a range of models may therefore need to be developed. She also noted that establishing delivery models locally would be more likely to secure the objective of retaining employment within the County.

In discussion the following principal points were made:

- The challenge of building on the work by the Council and the Primary Care Trust (PCT) to integrate health and social care services to incorporate Hereford Hospitals NHS Trust (HHT) in the delivery of a shared services programme for the three organisations was discussed. The Interim Assistant Chief Executive commented that HHT had been involved in the programme from the outset. She noted that the PCT currently provided HHT with financial services and it would be more costly to HHT if it were not involved in the SSP.
- Concern was expressed about the time the shared services programme had taken to develop and that the changes now proposed in the recent Health White Paper, in particular GP Commissioning, would mean that the programme would be overtaken by events.

The Cabinet Member (Corporate and Customer Services and Human Resources) commented on the progress that had been made in integrating health and social care services. She emphasised the importance of delivering savings quickly, to protect service delivery in the face of demographic pressures on budgets locally allied to the imminent national budget reductions. She also expressed the wish to protect Hereford Hospital and to protect jobs within the County, recognising the difficulty, given communication routes and other factors, in finding alternative work compared with some other parts of the Country.

- The Chairman of the PCT Board commented that the PCT would not be able to prescribe what GP consortia chose to do. However, the PCT was working with GPs and believed there was a shared vision with support for coterminosity of commissioners and providers.
- Members supported the objective of protecting employment within the County. The Interim Assistant Chief Executive observed that there were a range of potential clients for services, for example Voluntary Sector organisations that did not have national support services.
- The consensus was that the proposed changes must lead to improved efficiency and cost savings, be simple, with no overlapping layers of bureaucracy and be easy to deliver.

The Interim Assistant Chief Executive commented that the importance of streamlining governance arrangements and keeping them simple was recognised.

- Members emphasised the importance of the contract with the eventual service provider(s) being robust and ensuring that as commissioners of services the Council and its partners had control of costs to avoid the possibility that new arrangements ended up being more expensive than the current ones.
- There was support for the idea that, to maintain flexibility, different models might be appropriate for different services within the SSP. It was suggested that for the Committee to be able to express a firm view on the proposals a matrix needed to be produced setting out the pros and cons of each model for each service within the scope of the SSP. Further detail was also required on the costs of each option, recognising that one of the key objectives was to deliver savings. The Committee received assurance that this would be done as part of the appraisal process and reported fully in due course.
- Asked to comment on the timescale for delivering the SSP the Assistant Chief Executive said that agreements would need to be negotiated and signed by the Partners. However, in her experience these processes could be completed more swiftly when the groundwork had been done in advance, which she believed to be the case in Herefordshire. The aim was to have a shadow company in place by the end of December, becoming operational by April 2011.

RESOLVED

THAT:

- (a) it be noted that the business case for Shared Services is being reviewed;**
- (b) it be noted that a number of options were being considered as models for delivering shared services in Herefordshire and that Cabinet would be deciding in October on the options available; and**
- (c) a further report be made to the Committee in advance of the report to Cabinet in October, taking into account the comments made by the Committee as outlined above.**