

<b>MEETING:</b>	<b>COUNCIL</b>
<b>DATE:</b>	<b>19 NOVEMBER 2010</b>
<b>TITLE OF REPORT:</b>	<b>SHARED SERVICES REPORT</b>
<b>REPORT BY:</b>	<b>CABINET MEMBER (CORPORATE AND CUSTOMER SERVICES AND HUMAN RESOURCES)</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

The purpose of this report is to seek approval for the establishment of a Joint Venture Company to provide shared support services to the Council, NHS Herefordshire (the Primary Care Trust) and Herefordshire Hospitals NHS Trust (HHT).

### **Recommendation(s)**

**THAT Council:**

- (a) **Agrees that a Joint Venture Company be established by the Council and its partner(s) to provide shared support services;**
- (b) **Notes that the Cabinet agreed that a Joint Venture Company be established and that the negotiation of the terms of the Joint Venture be delegated to the Chief Executive.**

### **Key Points Summary**

- Following the Cabinet's decisions in February and March 2010 to develop a shared services partnership with the PCT and HHT, a comprehensive appraisal of the business case and different delivery options for the project has been undertaken. Having accepted the findings of the business case review and considered the evaluation of delivery options, Cabinet have agreed to pursue a "multi-sourcing" approach with service clusters being grouped and transferred into a shared provision in different models.
- A multi-sourced model includes the provision of a number of support services by a new Joint Venture Company. The establishment of such a company and the Council's membership of it requires approval by Council. This report asks the Council to agree that a Shared Service Joint Venture Company be established as recommended by Cabinet. The proposal is that the new Company be established and starts delivering services by 1 April 2011.

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

## Alternative Options

The Cabinet has considered the available options for the delivery of shared services and has agreed a multi-sourced approach which requires the establishment of a joint venture company.

## Reasons for Recommendations

1. To obtain the formal agreement of Council to the establishment of a Joint Venture Company to deliver shared support services.

## Introduction and Background

2. Cabinet approved the following recommendation on 21 October 2010; [Cabinet]

*i. Endorses the establishment of a Joint Venture Company and recommends to Council that such a Company be established;*

The Primary Care Trust and HHT have also agreed to proceed with the Shared Services Programme and to enter into a Joint Venture Company.

3. The Council are asked to note that the Cabinet agreed that a Joint Venture Company be established and that the negotiation of the terms of the Joint Venture be delegated to the Chief Executive.
4. The establishment of a Joint Venture Company is integral to the shared services proposals agreed by all three partners, and requires agreement of Council. This report seeks that agreement.

## Key Considerations

5. The scope of services included in the overall Shared Services programme to be delivered through the multi-sourced model are:
  - **Finance**
  - **Procurement**
  - **ICT Services**
  - **Human Resources**
  - **Payroll and Expenses**
  - **Revenues and Benefits**
  - Asset Management and Property
  - Transport
  - Internal Audit
  - Legal
  - Communications and PR
  - Emergency Planning

Those services highlighted are likely to be delivered by the Joint Venture Company.

## Models for delivering Shared Services

6. In March 2010, the Cabinet envisaged that the shared services programme would follow 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);
7. During the process of establishing the detailed shared services proposals, it was prudent to assess the viability of some alternative models, including mutual or other forms of social enterprise, for delivering shared services in Herefordshire, using updated evaluation criteria that 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.
  8. The outcomes have been re-affirmed by Cabinet 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.
  9. The evaluation concluded that the four models were most likely to achieve the outcomes that we have set and, in particular, to deliver savings. These are:
    - Joint procurement
    - Joint venture
    - Lead provider/commissioner
    - Strategic private sector partner
  10. Cabinet has agreed 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.
  11. This requires the establishment of a joint venture company which requires Council approval. For that reason, the Cabinet are recommending that the Council agrees the recommendations in this report.

### **Principles for the Joint Venture Company**

12. Cabinet and its partners have concluded that it is essential that a Joint Venture Company be established and that it 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. The principles for doing so have been agreed between the partners.
13. A key consideration will be the need for a robust set of Service Level Agreements and challenging Key Performance Indicators being put in place between the Joint Venture Company 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.
14. In order to ensure that focus and momentum are maintained, it is proposed that a Shadow Board be 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 negotiations with the three partners.

## Community Impact

15. The delivery of Shared Services will improve the quality and efficiency and effectiveness of back office support to front line services; 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. It will also, provide an opportunity for services to be provided 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. The establishment of the joint venture Company is integral to the delivery of shared services in this way.

## Financial Implications

16. Following a detailed review and assessment of the business case, it is projected that shared services will deliver a net return of £1.7m in 2011-12 rising to £4.3m in 2016/17. This amounts to savings of £33.3m over 10 years.
17. 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.
18. The Council's share of future savings is expected to be in the region of £3.01m per annum.
19. The establishment of the Joint Venture Company as recommended to Council is integral to achieving these savings.

## Legal Considerations

20. The evaluation of the multi sourced model has included an appraisal of the legal issues in relation to each available option for delivery. 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. Other options considered by Cabinet presented legal difficulties. 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 issues will all be addressed during negotiation and put in place in the implementation phase.
21. Cabinet has agreed that it should develop integrated shared support services with its partners. This is reflected in past Council decisions. Cabinet is now progressing with a multi-sourced approach. It is essential to establish a Joint Venture Company as part of those proposals and it is necessary to seek Council agreement to do so. This report provides the information needed to enable Council to take the decision as recommended. There are no other legal implications.

## Risk Management

22. The Cabinet has risk management arrangements in place in relation to the shared services programme. The following risks are relevant to the recommendation in this report:

*Risk of not achieving the target savings* – If the Joint Venture Company is not set up, it will not be possible to implement Shared Services across the three partners, given that both PCT Board and HHT Board have agreed to the setting up of that Joint Venture Company. Therefore the target savings will not be made.

*Risk that the costs of setting up and managing the Joint Venture Company may significantly erode the savings made* – The Joint Venture Company will be established

and governed with low management overheads and operational costs, so as to optimise the efficiency gains for each of the partners.

## **Consultees**

23. Consultations have commenced and will continue to take place during the Shared Service implementation with Members, Directors, and 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.

## **Background Papers**

None