

Appendix A

Joint Working in Hampshire – Strategic Integrated Business Case

April 2012



HAMPSHIRE
**FIRE AND
RESCUE
SERVICE**



Hampshire
County Council

Contents

Section	Page
Chief Officers' Foreword.....	2
Executive Summary	3
Introduction and Context.....	7
Strategic Vision, Success Criteria and Design Principles	10
Understanding the Current Arrangements	12
Integrated Model Proposal	15
Interacting with the Organisations	20
Specific Workstream Proposals.....	22
Cost Benefit Analysis and Apportionment of Costs, Benefits and Liabilities.....	25
Strategic Opportunities, Risks & Achievability.....	27
Looking Forward – Design and Implementation.....	31
Conclusions	33
Appendix A – How the Proposed Model Meets the Success Criteria.....	34
Appendix B – Programme Design	35
Appendix C – Proposed Integrated Model	38
Appendix D – Legal Models	39
Appendix E – ICT Enabler.....	42
Appendix F – HR Enabler.....	44
Appendix G – Finance Enabler.....	47
Appendix H – Cost Benefit Analysis	49
Appendix I – Strategic Risks.....	53
Appendix J – Outline Implementation Process.....	57
Appendix K – Staff engagement	59
Appendix L – Deloitte Statement	60
Appendix M – Legal Counsel Opinion.....	62

Chief Officers' Foreword

In September 2011, we pledged our joint commitment to develop a strategic business case for delivering key support services in partnership, building on our strong history of effective shared working and close strategic relationships. This important piece of work provides a unique opportunity to create a sustainable future for each of our organisations, playing a crucial role in our responses to significant reductions in Government funding. Just as importantly we see this as the creation of a world class Hampshire-wide public services organisation delivering key support to three of the county's largest public bodies.

Over the past year, we've each delivered significant spending reductions and made our services more efficient, through ambitious transformation programmes and developing new and innovative ways of working. At the heart of this is identifying further opportunities through greater joint working and sharing resources with our partner organisations.

By combining our support functions we can work together to improve the quality of our services whilst reducing our costs, which will significantly increase the resilience of each organisation. This is reflected in three joint aims, which form the success criteria for the project.

Essentially, what we can achieve collectively will be far greater than what we can achieve on our own. We strongly believe in our ability to deliver the best value services to the communities we serve in a modern, efficient and effective way, through the development of a new public sector operating model for Hampshire - providing exciting opportunities for our

organisations and staff.

Our common geography, shared 'customers' and collective vision for Hampshire put us in a unique position to deliver joint priorities that would benefit all Hampshire residents and provide improved services to our communities. In addition, we each have excellent employees and vast amounts of expertise. By sharing resources we can increase our flexibility and capacity, whilst also providing opportunities for staff to gain skills and experience from working across functions and organisations.

Significant progress has been made to date and it is encouraging to see the willingness and co-operation demonstrated by staff involved in the development of this strategic business case. By moving to this position early, each of our three organisations will individually respond to their different financial and business pressures. It also allows us to take early advantage of the changing landscape of public services and reposition our business support services for the future.

We do not underestimate the scale of the organisational and cultural change that will be required and the significant challenges that lie ahead in the next phases of this work. However, we genuinely believe this is the right approach for Hampshire and that it will provide long-term advantages for our organisations and the communities we serve.



Alex Marshall
Chief Constable HC



John Bonney
Chief Fire Officer HFRS



Andrew Smith
Chief Executive HCC

Executive Summary

The purpose of this report

This report sets out the 'Joint Working in Hampshire' strategic integrated business case for the joint delivery of services for a number of core corporate services (Procurement, ICT¹, Finance & Payroll, Human Resources, and Occupational Health and Wellbeing) across the three organisations.

This report should also be read in conjunction with the Individual Blueprint proposals for 'Joint Working in Hampshire'.

Summary

Following the governing bodies' approval of the 'Joint Working in Hampshire Strategic Case' in September 2011, a formal programme of work has been established by the three organisations to deliver a strategic integrated business case to include the business areas of Procurement, ICT, Finance & Payroll, Human Resources and Occupational Health & Wellbeing.

Currently each organisation has a variety of approaches for delivering its core corporate services. The proposal has been developed around creating a single entity that builds on strong

strategic relationships, shared strategic aims and a common geography to provide integrated corporate services across the three organisations. This has a strong link with each organisation's current corporate change programme and it will deliver the three success criteria of:

- **Quality** - Improved Service Performance, Quality and Innovation;
- **Resilience** - Organisational Resilience and Future Capacity;
- **Efficiency** - Efficiencies and Cost Reduction.

The proposed model for shared corporate services is based on providing integrated strategic, professional and transactional services to the three organisations (see figure 1). It creates the best opportunity to improve performance and quality, increase capacity and resilience at a time of significant workforce reductions, whilst demonstrating a strong financial case with opportunities for financial savings and efficiencies delivering a zero to two year return on investment and a three to five year payback for the timings of any cashable returns. The proposal also delivers a number of significant longer term benefits, through creating the most sustainable joint foundation to deliver the best possible public services, at the least cost, for the residents of Hampshire. This will support the three organisations

¹ ICT services will only be delivered jointly between HCC and HFRS. HC has an existing collaborative agreement with Thames Valley Police (TVP), therefore ICT will be jointly developed with HC to enable and support the wider joint working proposals.

in managing their budgets during the current and future Comprehensive Spending Review periods.

Figure 1 – Overview of single integrated model for shared corporate services



Next Steps and Direction of Travel

The model reflects a long term vision for delivering joint services, and if approval is given to proceed it is expected that this will take a period of one to three years to design, develop and implement.

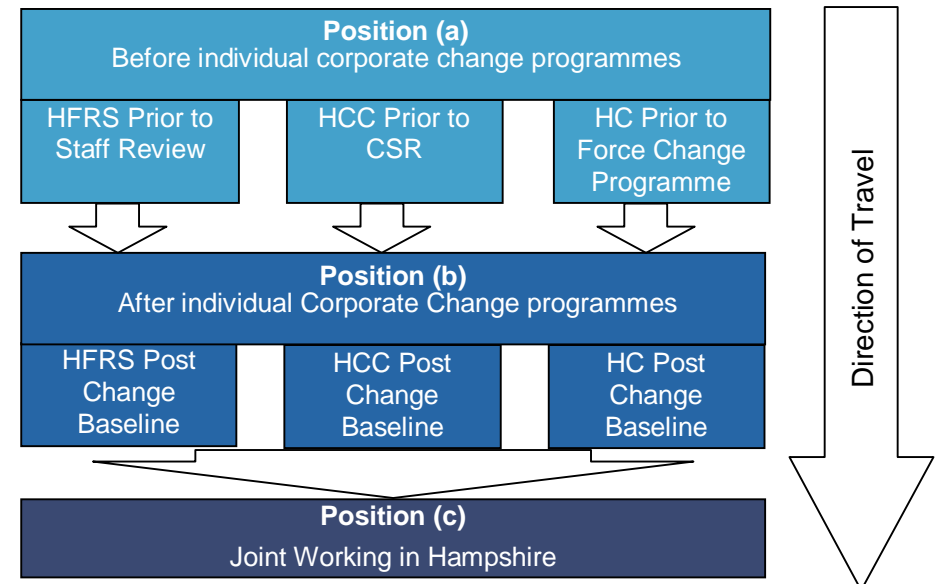
The detailed planning of this programme will be performed during a dedicated planning and mobilisation phase included within the high level implementation plan (see Appendix J). This will be to ensure that the programme moves forward in manageable steps, has key milestones that build towards the long term vision and continuously identifies and manages the risks to each organisation.

The development of shared services has the potential to provide considerable rewards and benefits for those involved, however, a number of shared service ventures have failed to deliver the

expected benefits. In order to mitigate this the programme will require a phased approach to design, build and implementation, recognising a series of key interdependencies, significant cultural changes, potential quick wins and the appropriate sequencing of workstreams. Each area of change will need to go through a design, build and implementation process and will require robust programme management disciplines and sign off of design prior to build and implementation.

It is fundamentally important that timings and interdependencies are clearly aligned to each organisations current corporate change programmes as part of the planning of the next phase of work. This will focus on the benefits of each organisation moving from a post corporate change position (b) to a 'Joint Working in Hampshire' position (c) (See figure 2). This will not only ensure that savings and benefits are not double counted, but will assist in the development of a structured approach to the implementation of joint working.

Figure 2 – Moving from in-house change programmes to joint working



This will be a journey based on a clear direction of travel which the three organisations will embark on together. The focus, implementation and governance is likely to evolve and adapt as the relationships between the three organisations continues to mature.

The risks do not necessarily therefore relate to the conclusions and findings of the strategic integrated business case, but in the change programme that follows. This will focus on taking a measured approach which is pragmatic and balances exposure to risk against the achievement of the long term vision.

Appropriately sequencing the activity to reach that point will therefore be crucial to recognise the complexity of the task which goes beyond improving and integrating processes, systems and services to touch upon the deep-rooted behaviours, identity and cultures of the three organisations and staff. This will also require key milestone reviews so that each organisation can assess progress, the costs of change and the probability of the benefits and added value being realised against the three success criteria.

Depending on the nature of the functions it may be that early decisions can be made to share management, develop joint funding arrangements and also consider pilot approaches in advance of locking into the intended legal model or final governance arrangements. This will enable early lessons to be learned that can inform the development of other areas.

It is expected that some areas could be fast-tracked (such as procurement, occupational health and wellbeing, professional finance functions and the property services blueprints) and delivered more quickly. Other areas (such as the development of an integrated transaction processing centre) will require a more complex reconfiguration of ICT infrastructure, the

implementation of the final legal model and governance structure and, where appropriate, the transfer of staff.

The table below gives an indication as to what the implementation sequencing of service areas could be if governing bodies give their approval. This will be reviewed and updated as part of the initial planning and mobilisation phase.

Implementation	Service Areas	Joint Working Model
Fast tracked (0 - 1 years)	<ul style="list-style-type: none"> Professional and strategic finance Occupational health & wellbeing Procurement Blueprint proposals (e.g. Property) 	<ul style="list-style-type: none"> Accountable senior leadership Shared management
Medium term redesign (0 – 2 years)	<ul style="list-style-type: none"> ICT Integrated business and transaction processing 	<ul style="list-style-type: none"> Formal legal model
Longer term redesign (0 – 3 years)	<ul style="list-style-type: none"> Professional and strategic human resources 	<ul style="list-style-type: none"> Staff transfer and appointments

Recommendations

It is recommended to the Governing Bodies that:

- 1) The strategic integrated business case is approved including:
 - a) Developing a single overall entity to provide some corporate services across the three organisations for the services identified in this report;

- b) Implementing joint strategic leadership, single heads of service and shared management for the entity;
 - c) Designing a strategic business partner approach to manage strategic relationships with each organisation and to drive improvements in quality and value;
 - d) Developing integrated professional service teams jointly delivering services to each organisation;
 - e) Delivering integrated cross service business and transaction processing teams operating under a single head;
 - f) Maximising the scope, efficiency and effectiveness of self service;
 - g) Developing a new way of working, fostering a new distinctive culture for the entity and delivering greater commerciality and continuous innovation, drawing on private sector expertise where appropriate;
 - h) Sharing a core ICT and estates infrastructure to meet business requirements and deliver joint working in the most efficient and effective way;
 - i) Forming an unincorporated contractual partnership legal framework whereby parties work together through binding contractual arrangements and joint governance;
 - j) Transferring staff to ensure delivery within a single overall entity;
 - k) Proportionately splitting costs, benefits and liabilities based on a fair, simple and transparent model in accordance with the cost/benefit/liability apportionment model proposed on page 48.
- 2) Authority is delegated to the Chief Constable, Chief Fire Officer and Chief Executive (as appropriate) to commence design and implementation. This will be developed further as part of the 'planning and mobilisation' phase from April 2012, which will ensure appropriate sequencing and a formal gateway review process before anything moves from design to implementation. This includes:
- a) The development of new integrated staffing structures and the appropriate appointment to new roles;
 - b) The investment of set up costs within the cost envelope outlined on Pages 25 and 26;
 - c) The ability to draw on specialist external support where necessary.

Introduction and Context

Context and Scope

In September 2011 the governing bodies of HFRS, HC and HCC supported the 'Strategic Case' outlining the opportunities for 'Joint Working in Hampshire' for specific support services.

The Strategic Case identified that there is a real opportunity to build on the unique combination of strong strategic relationships, common geography and a history of effective shared working. This has the potential to deliver service improvements, increase organisational resilience, reduce operating costs, develop wider community benefits in Hampshire and support the local economy.

Figure 3 – Fits, Opportunities and Benefits



The report identified 11 service areas, which were thought to present opportunities for joint working:

- **Procurement**
 - **ICT²**
 - **Finance and Payroll**
 - **HR**
 - **Occupational Health and Wellbeing**
 - Transport and Fleet Management
 - Estates and Facilities Management³
 - Training/Learning and Development
 - Media and Corporate Communications
 - Research and Analysis
 - Legal Services.
- Strategic Integrated Business Case
- Individual Blueprints

It was proposed that a practical joint operating model would promote greater sharing of staff, resources and infrastructure for

² It is recognised that the engagement and support of existing partners, in this case Thames Valley Police, will be necessary to ensure all joint working opportunities are captured, particularly when this relates to existing joint working arrangements.

³ This has subsequently been split into two separate work streams

each of these service areas. There was also a need to preserve organisational identities, meet individual corporate and legal responsibilities and retain distinct delivery of core operational services.

The governing bodies therefore approved further exploration and quantification of practical opportunities through the development of a strategic business case. This strategic business case is intended to identify the scale of the joint working opportunity and the detailed work required to design and implement any proposals.

A separate 'Statement of Commitment' was also agreed by the respective governing bodies in September 2011, which summarised the key principles and programme governance arrangements for progressing this work.

In February 2012 the governing bodies received an interim update of the programme.

The interim update highlighted that the programme would present findings in the form of two reports in April 2012 identifying opportunities for greater joint working in Hampshire:

- An strategic integrated business case evaluating the option(s) to integrate Procurement, ICT, Finance & Payroll, Human Resources and Occupational Health & Wellbeing.
- A separate report identifying joint working opportunities (individual blueprints) across seven other support services.

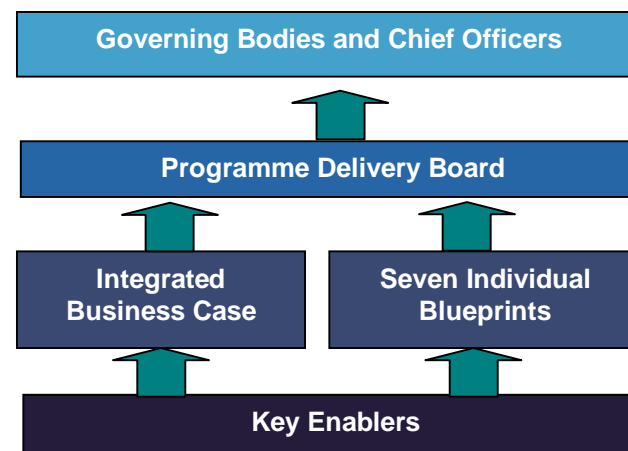
This paper is the first of these two reports.

Programme Design

A robust programme management approach has been adopted (see Appendix B) which is overseen by a Programme Delivery Board made up of senior representatives from each organisation. This is responsible for the planning, coordination and development of the integrated business case and the individual blueprints.

The Programme Delivery Board has overseen workstream groups (made up of representatives from each organisation) for each service area within scope of this work. A number of key enablers have also been explored that will need to be in place to support and guide the design and implementation of findings. These are legal models, ICT infrastructure, HR processes, Estates and Financial baselining and cost/benefit/liability apportionment.

Figure 4 – Programme design



Communications and Reporting

The Programme Delivery Board has developed a communications and engagement plan which supports a structured, clear and consistent programme of communication and engagement across each organisation.

Regular communications have been sent out by Chief Officers between September 2011 and April 2012, and an engagement exercise was undertaken in February and March 2012 to gather staff feedback on emerging proposals (Appendix K).

Key partners (including the Unitaries and Districts) have been kept informed of the developing proposals through a letter enclosing the interim update report in March 2012. This communication will continue along with the opportunity for other partners to become involved as part of a later phase, if approval to proceed is given.

Challenge and Scrutiny

External consultants (Deloitte LLP) have been appointed to provide independent challenge and scrutiny of the proposed options, bringing their experiences of shared services to the programme. Deloitte's role is not to challenge the overall rationale for joint working, but to provide critical input and challenge on the proposed options, their robustness and any options missed, based on the success criteria and design principles agreed by the Chief Officers. Deloitte have provided a summary statement of the programme and emerging proposals (see Appendix L).

Strategic Vision, Success Criteria and Design Principles

Vision and Objectives of the Strategic Integrated Business Case

The overall vision for the programme of work was agreed by Chief Officers in September 2011:

“To drive efficiencies and tangible service improvement through joint working in a number of key service areas.

To build on this to examine the value of a shared service platform for even greater integration of our specialisms in order to improve quality innovation whilst remaining efficient.”

Success Criteria and Overall Design Principles

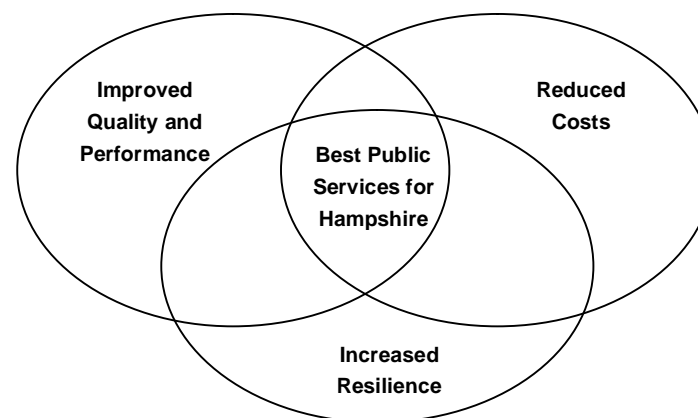
The three Chief Officers agreed the following success criteria and design principles in October 2011, which are focussed on the overall shared strategic aim of delivering the best possible public services to the residents of Hampshire.

- **Quality** - Improved Service Performance, Quality and Innovation;

- **Resilience** - Organisational Resilience and Future Capacity;
- **Efficiency** - Efficiencies and Cost Reduction.

These have guided the development of the strategic business case and enabled the proposed option to be evaluated against these criteria.

Figure 5 – Success Criteria delivering the best public services for Hampshire



The Chief Officers also agreed a series of outline “design principles” that were intended to guide the development of the joint working programme:

- Create a single entity to provide integrated corporate services across the three organisations⁴;
- Retain organisational identity;
- Simplicity of design and implementation;
- Joint direction, governance, control, senior management and co-ownership;
- Scalability and the opportunity to attract additional core partners or deliver services for other organisations.

⁴ This principle is only applicable to the integrated business case service areas.

Understanding the Current Arrangements

Current Service Delivery

Each organisation currently directly provides support services through separate “in-house” functions which support their respective organisations and service delivery departments. HCC currently sells a number of services to HFRS and HC to support these in-house functions.

Key themes are summarised below:

- **Service Directors** – HFRS has a Director of Corporate Services and a Director of Human Resources. HC has a Director of Finance and Resources and an acting Director of Human Resources. HCC currently has a County Treasurer and a Director of Human Resources but is developing the role of a Director of Corporate Services as part of its Corporate Services Review.
- **Finance and Payroll** – Each organisation currently has separate finance departments. HFRS has a very small department and buys a significant number of core central functions from HCC. HC and HCC have much larger finance departments and provide the majority of services “in-house”. HCC also provides a number of financial services to the Hampshire Police Authority.
- **Human Resources** – Each organisation currently retains separate HR departments which provide all principal HR

services within the organisations.

- **Procurement** – Each organisation has separate procurement departments of varying size supporting procurement and buying activity. Each organisation is already involved in a number of regional and national frameworks for the joint procurement of goods and services.
- **IT** – HCC and HFRS already have very closely integrated IT infrastructures and share the Hampshire Public Service Network as well as a number of core business applications hosted by HCC (such as the SAP ERP). The two organisations currently retain separate IT teams. HC and Thames Valley Police (TVP) currently have a single ICT department providing ICT services to both Forces. At this early stage of the collaboration, the two Forces ICT infrastructures are separate, but connected through the National Police Network.
- **Occupational Health and Wellbeing** – HFRS is currently staffing its occupational health function through temporary agency staff. HC and HCC have a retained “in-house” function.
- **Core Business Applications** – HCC and HFRS currently use a shared system to manage resources (e.g. finance, HR, payroll). This is known as SAP, an Enterprise

Resource Planning (ERP) business application. Current business processes and functionality of SAP are being reviewed as part of HCC's corporate efficiency programme. HC does not currently have a single ERP, but has a number of separate business applications.

Organisational Change Programmes

Each organisation is already undergoing organisational change. The joint working programme's relationship with those change programmes is managed through the Programme Delivery Board.

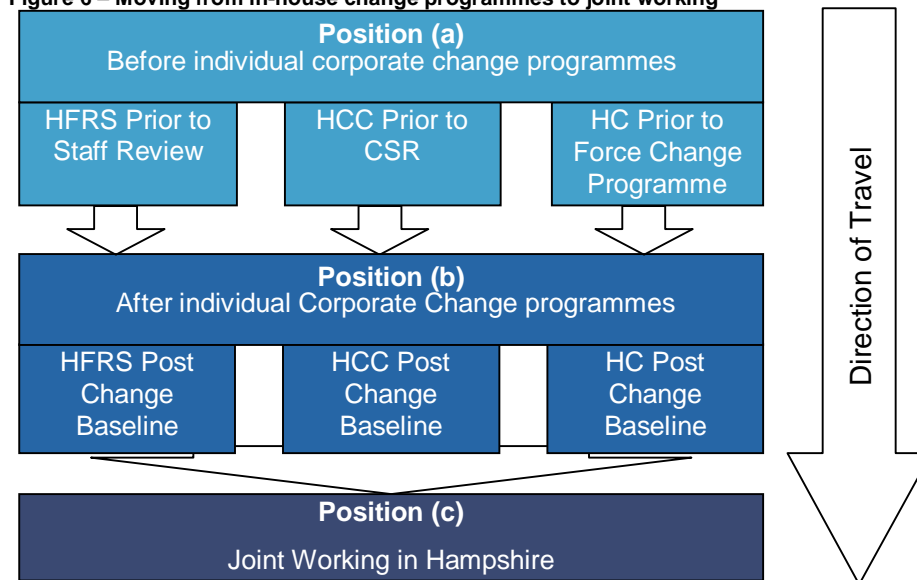
The key programmes with interdependencies with 'Joint Working in Hampshire' are:

- HCC Corporate Services Review (CSR)** – HCC is undergoing a significant review of all central support functions to enable better integration, identify opportunities for savings and create revised management arrangements. The outcome will be a modern business function providing integrated management capacity to a large democratic organisation, capable of higher performance and lower cost than existing provision.
- HFRS Staff Review** – A review of all staff not based at fire stations that will ensure the right number of staff are available to deliver services efficiently. This will deliver a 15% reduction of salary cost for these groups by 2015
- HC Force Change Programme** – commissioned by Chief Constable with the aim of redesigning Hampshire Constabulary as a sustainable force for the future (a top-quartile force in key performance areas and a bottom-quartile force in terms of cost) following the

announcement of major budget cuts by the government in June 2010.

It is fundamentally important that this strategic business case recognises the interdependencies with these programmes and focuses on the benefits of each organisation moving from a post corporate change position (b) to a 'Joint Working in Hampshire' position (c) (See figure 5). This will not only ensure that savings are not double counted, but reflect that many of the benefits of moving to position (c) will relate to increasing organisational resilience and capacity, following significant staffing reductions through internal change programmes.

Figure 6 – Moving from in-house change programmes to joint working



In addition to these change programmes, there are a number of ongoing specific programmes and projects within the organisations and in-scope service areas which are recognised as interdependent with the 'Joint Working in Hampshire'

programme.

These specific programmes have been highlighted by each workstream lead, and the proposals within the business case are aligned to the implementation of these specific projects and programmes.

Financial Baseline

A detailed financial baseline⁵ of current costs has been determined, taking into account known changes arising from each organisation's corporate change programme.

Service Area	HCC £'000	HCC (FTE)	HC £'000	HC (FTE)	HFRS £'000	HFRS (FTE)
Procurement	1,800	36	400	9	100	3
ICT	44,400	402	15,000	0 ⁶	2,700	18
Finance (including Payroll)	14,100	421	2,800	69	400	4
HR (including some Payroll)	6,700	172	2,400	61	1,300	23
Occupational Health & Wellbeing	800	17	800	9	300	5
Total	67,800	1,048	21,400	148	4,800	53

⁵ The baseline uses gross direct costs less income charged between the three partner organisations rounded to the nearest £0.1m

⁶ The cost of delivering HC ICT is included within the baseline, but staff have been excluded as they are employed by Thames Valley Police (TVP) as part of an existing collaboration agreement.

The baseline has been developed on the general principle that all direct costs within the functional areas considered are included within the scope of the work. This will ensure that there is clear accountability and funding for the delivery of in-scope services and it will also underpin a fair and equitable cost/benefit/liability allocation model (see Appendix G).

It is also recognised that a number of in-scope areas within the above service areas will not be shared (i.e. exclusions). Exclusions along with the final agreed baseline will be finalised as part of the design and implementation phase and written into the baseline and contract agreement.

Current Collaboration and Joint Working

There are already a number of ongoing collaborative, joint working and shared service arrangements, both between the three organisations and with external partners.

This is an extremely complex partnership landscape, particularly for HCC, which generates a significant amount of income from delivering services for external partners (e.g. Schools, Pension Funds), and directly funds a number of posts, overheads and specialist units through this income generation.

The model developed for joint working will continue to support the delivery of these services, and will seek to build on this external income and further expand partnership working for all three organisations.

Integrated Model Proposal

Outline of the Proposed Model

A single integrated corporate services entity providing strategic, professional and transactional services to the three organisations for the in-scope services is proposed.

This will recognise the complexities of existing relationships with external partners (e.g. Thames Valley Police, Schools) and where possible, deliver corporate services which will share senior management, IT systems, resources, skills and expertise across the three organisations.

The model has also been designed to ensure that specialist functions and organisational relationships/understanding are retained and developed through strategic business partner roles.

Overview of Benefits

The three success criteria of quality, resilience and efficiency have been used to evaluate and demonstrate the benefits of the proposed model, focussing on benefits that could not be achieved without working jointly (i.e. it is recognised that each organisation is already generating significant efficiency reductions and improvements to service delivery quality through its own internal organisational change programmes).

The proposed model meets all of the three success criteria. It provides the strongest foundation, as funding becomes tighter,

to deliver the best possible public services for Hampshire through the joining up the support services of three of the largest public sector organisations in the County. A more detailed evaluation and consideration of financial costs and savings is included on pages 25 and 26, and a summary of how the proposed model meets the three success criteria is included in Appendix A.

The proposed model will not only deliver short to medium term benefits against the three success criteria, but will also drive a number of significant and less tangible longer term opportunities and benefits through creating a sustainable joint foundation to deliver shared strategic objectives (these are explored on Page 27).

The Success Criteria

Performance and Quality – The model enables the three organisations to share resources, best practice/process and expertise in the most effective manner to continually develop, modernise and innovate service delivery. This will provide a significant opportunity to create a culture which further develops innovation, creativity and greater customer focus.

It also facilitates a sharing and future joint investment in technology, staff and infrastructure which can deliver continuous improvement in service delivery.

Strategic direction will also be joined up, and through strategic business partner relationships with each organisation, relationships and organisational understanding will be maintained and embedded locally to reflect specific business requirements.

Resilience and Capacity – The model creates a significant amount of organisational resilience by increasing the resource base and skills available to each organisation and developing a strong regional and national presence. This is particularly important at a time when each organisation has undergone significant staffing reductions as part of its internal corporate change programme.

This will enable flexible and agile responses to changing requirements and priorities over time, position the service to expand, as well as attract, retain and develop the best possible people and skills within the public sector in Hampshire.

Capacity is also increased through sharing scarce skills and expertise, which will enable each organisation to have access to a broader range of skills and specialisms, and ensure that senior management and professional staff have time, resource and skills to focus on activities that add value.

Efficiency and Cost Reduction – Each organisation has already made significant efficiency and cost reductions through internal change programmes which are not counted as part of the benefit of joint working.

However, the model is expected to deliver recurring annual financial savings, which will initially be offset against costs of change and transition (see financial cost / benefit analysis on pages 25 and 26), but can then be utilised by each organisation

to lower its overall cost base and protect and maintain frontline service delivery.

These savings are delivered through an increase in economies of scale, a greater critical mass, sharing the cost of overheads (such as IT systems), reducing duplication of activity, sharing management, increasing organisational buying power and influencing suppliers.

In particular, through sharing existing infrastructure and systems, the organisations may avoid future known costs of investment (e.g. HC will have the opportunity to share SAP, and therefore avoid known future investment in a new ERP system).

The sharing of best practice, technology and scope for future innovation is also expected to deliver further efficiencies through process improvement, particularly in relation to high volume transaction processing.

Key Model Themes and Principles of Design

The model will be developed based on the following design principles and has been outlined in Appendix C:

Single Overall Entity – There are significant strategic benefits to a single cross functional entity (economies of scale, cross cutting strategic join up and leadership, integrated service delivery, sharing cross functional overheads). This is opposed to a silo model which has each functional area as stand alone and separate functions. The model is therefore presented as a single integrated structure.

Joint Strategic Leadership, Single Heads of Service and Shared Management – The organisations will share strategic leadership for the in-scope functions through single heads of

service. They will be responsible and accountable for the delivery of the new design and future performance. Detailed structure charts for individual services will be developed as part of a detailed design and implementation phase.

Strategic Business Partner Relationships – The model proposes that senior strategic business partners will work with each organisation’s senior management team to embed strategic understanding and relationships between the Corporate Services Entity and each organisation (the strategic business partner concept is explored further on page 20).

Integrated Professional Service Teams – The model proposes that non-transactional business is delivered through integrated service teams where possible, which will maximise the benefits of sharing skills, resources, business processes and expertise across the three organisations. It is acknowledged that some organisational or departmental specific roles and teams will need to be retained within these integrated teams.

Business and Transaction Processing – The model proposes a shared transaction processing centre which works across the services within the scope of this programme. Detailed process mapping, process challenge and reviews of current policies and procedures will be required as part of a design and implementation phase to effectively join up transaction processing across the three organisations.

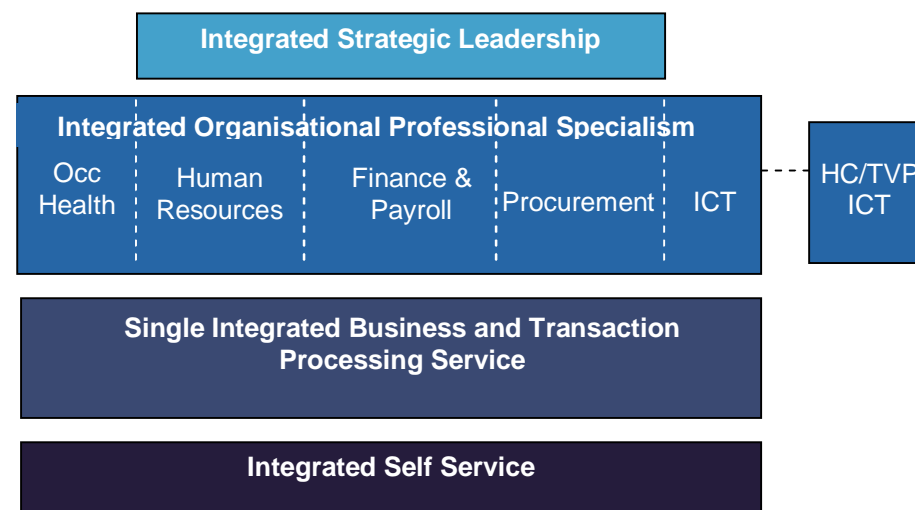
Maximise the Efficiency and Effectiveness of Self Service – Each organisation is currently reviewing processes as part of its internal changes to maximise the efficiencies that can be realised through employee and manager self service (e.g. individuals self processing electronic expense claims online).

Process alignment will be considered as part of a detailed design phase, which will share best practice processes for self service between the three organisations.

Shared Infrastructure – The model will be underpinned by a shared ICT and estates infrastructure, designed to meet the business requirements for shared working in the most efficient and effective way. The proposals for ICT and Estates are considered as part of the enablers below.

Commerciality and Continuous Innovation – The model will be developed to deliver greater levels of commercial awareness and continuous service innovation, creativity and improvement. This will be underpinned by sharing best practice between the three organisations, but also drawing on specialist skills, knowledge and resources from private sector partners where appropriate.

Figure 7 - Overview of single integrated model for shared corporate services



Overview of Key Enablers

A number of key enablers have also been explored that will need to be in place to support and guide the design and implementation of the proposed model. An overview of the conclusions for key enablers supporting the overall integrated model is detailed below. The work conducted in relation to specific enablers is detailed in Appendices D - G:

- **Legal Model** – It is proposed that the most effective and efficient legal framework is an unincorporated contractual partnership between the three organisations whereby the parties work together through a binding contractual arrangement and joint governance. This is supported by Legal Counsel advice (see Appendix M), meets the needs for joint working and avoids the added expense and complications of creating a separate legal entity, whilst ensuring co-ownership and control within a genuine partnership ethos. It is proposed that staff would transfer to a single host employing organisation and the principles of TUPE would be applied where appropriate. The legal model would not restrict each organisation's ability to continue selling services and generating income to cover overheads, but a separate trading company would need to be established if the three organisations wanted to develop commercial trading arrangements generating profit.
- **ICT** – It is proposed that HCC's core ICT infrastructure and systems are used as the foundation for the joint working arrangements. This infrastructure is already closely integrated with HFRS and will limit the

complexities of managing data security with HC systems⁷. Single consolidated business applications will be used (such as SAP), which will significantly reduce the potential set up costs associated with purchasing and developing a new systems from scratch. These shared business applications will interface with organisationally specific systems that would be retained.

- **Human Resources** – It is proposed that staff are transferred to a single employing organisation, where staff will form joint shared services teams under the governance of the three organisations. This would deliver a level of stability to the joint working arrangements. HR leads have recommended that the least cost and most pragmatic option would be to transfer staff to the largest employing organisation (HCC). It is proposed that the early identification of the opportunity to share senior posts is made within the design and implementation phase to provide immediate leadership, accountability and ownership for the next phase. A number of significant risks relating to the cost and management of organisational change are also reflected in the risks section to this report.
- **Finance** – It is proposed that in principle each organisation will receive a proportionate split of the costs, benefits and liabilities associated with joint working linked to the financial baseline of in-scope services, less any specifically identified exclusions. This will ensure that the

⁷ HC operate at a minimum security Impact Level (IL)3 where as HCC and HFRS operate at IL2. It will be possible to hold the data held by the new entity at IL2 and manage requirements for holding more sensitive data on an exception basis using the HC systems.

cost/benefit/liability apportionment approach is based on a simple and transparent model. The risks and rewards of each organisation's current income generation will be retained by that organisation (i.e. the risk of one organisation losing income cannot be transferred to the other two organisations). Any future joint investments or income generating opportunities would need to be specifically considered by each organisation and a decision would need to be taken as to whether to share costs/benefits/risks on a proportionate basis or agree that one or more partner(s) would take a greater proportion of the risks.

- **Estates** – The estates enabler has identified that it is possible to co-locate teams within the current collective estate, where it is desirable and makes business sense to do so. Detailed work has not been performed at this stage to develop an optimal solution that will consider how co-location of particular functions will support the joint working proposals and can be used to drive new cultures and behaviours.

Any solution will be developed in accordance with each organisation's asset strategies to maximise existing estates capacity, and investment in new accommodation may be required to meet business need. Any capital investment to enable the estate to accommodate joint working would be met within each organisation's capital asset strategy and closely aligned to each organisation's existing corporate change programme.

Interacting with the Organisations

Interacting with the Organisations

It is crucially important that the corporate services entity forms the appropriate relationships, contact points and levels of interaction with the three organisations to understand and meet business needs, closely support strategic leadership and deliver against the success criteria.

Connections need to be established and clearly specified at the different levels defined within the operating model, and a number of these specific considerations are explored below.

Strategic Business Partners

Business Partners are well established roles in both public and private sectors. Definitions of the Business Partner role are varied. The Chartered Institute of Personnel and Development (CIPD) definition is:

“Business partnering is a process whereby professionals work closely with business leaders and/or line managers to achieve shared organisational objectives, in particular designing and implementing systems and processes that support strategic business aims.”

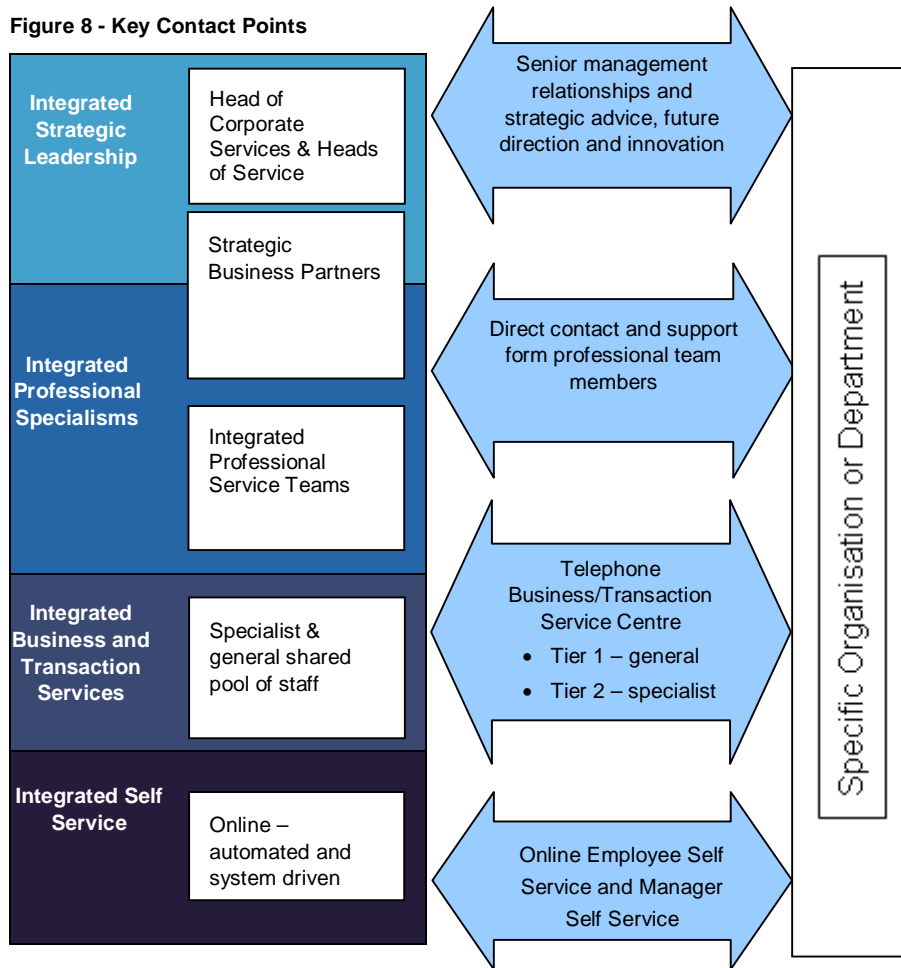
Effective senior strategic business partner roles will be fundamental to:

- Embed strategic relationships with the partner organisation/s at the senior level;
- Ensure the differing needs of each organisation are addressed and services add value;
- Strategically plan and prioritise service delivery / projects with both the Corporate Services Entity and the organisations / departments it is serving;
- Ensure a joined up approach to strategic planning and avoid any duplication with retained “in-house” roles;
- Provide professional expertise and sector specific knowledge to enable the Corporate Services entity to effectively deliver professional and transactional services;
- Ensure a strong interface between organisations and the joint working entity.

A one size fits all approach will not be appropriate for each of the in-scope areas due to the different nature and size of services provided. However, the principle of strategic business partnering will be incorporated in the detailed design of joint working arrangements.

Strategic business partners must be able to interface between senior management teams within the three organisations and the corporate services entity.

Figure 8 - Key Contact Points



Statutory Roles

The key statutory role delivered by the Corporate Services Entity will be the Chief Finance Officer (Section 151 Officer) for each organisation. This role must be performed by a nominated and appropriately qualified individual (a CCAB Chartered Accountant) and can be shared between organisations (e.g. The

County Treasurer is currently the Section 151 Officer for the Fire Authority and the Police Authority).

Member Relationships

The three organisations will retain their identity and operate their own Constitution and governance arrangements. Nothing in the proposals dilutes the accountabilities that the Chief Constable, Chief Fire Officer and Chief Executive of HCC already have. Each would remain accountable for the cost, quality and delivery of their business support services through the relevant governance arrangements with elected Members. Nothing in these proposals alters what impacts upon the existing channels or regular reporting approvals and Chief Officer delegations. The officers responsible for providing business support services will be responsible to the Chief Officers in the normal way and through the relevant management model operating at the time.

Governance Arrangements

There will be an arrangement put in place to ensure the Corporate Services entity is overseen by the three Chief Officers.

This approach will initially oversee the design and implementation of the programme and also be responsible for the future strategic direction of the Corporate Services entity. Once a joint entity is created any joint senior leadership at that point would be accountable through these governance arrangements, and together would be responsible for delivering the agreed business plan and management of the entity.

Specific Workstream Proposals

Workstream Returns

Each of the five integrated business case workstreams has submitted more detailed proposals, including high level structure charts, breakdowns of costs / benefits and an explanation of how their proposal meets the success criteria. These are consistent with the integrated model outlined above and the key model themes and principles of design.

The workstreams' outline proposals are summarised below, with more detailed workstream proposals having been presented to Chief Officers in February 2012.

Procurement

A single integrated professional procurement function for the three organisations is proposed, operating under a single head of service. The function will adopt a category management approach⁸ to co-ordinate and manage the combined spending more effectively.

This will allow the retention of specialist knowledge for the individual and unique categories for each of the organisations,

⁸ Category management is a procurement management concept in which the range of products purchased by an organisation is broken down into discrete groups of similar or related products known as product categories. It is a systematic approach to more effectively manage the procurement of particular categories of spend.

whilst maximising the benefits of aggregation across the common category areas.

A development programme and shared management will provide a flexible and resilient centre of expertise for all three organisations. The structure of the function will also provide scope for scalability to allow working with other public sector entities in the future.

The joint function will produce a single supplier management strategy, common specifications and use standard templates, leading to further process efficiencies which can be shared between the partners.

ICT

ICT will be an enabler of other shared services as well as a shared service in its own right. The proposals reflect current ICT shared services: HC has an ICT shared service with TVP (which is out of scope) and HCC and HFRS already have a broad "sold services" relationship.

The proposals build on the current HCC/HFRS relationships and infrastructure, but goes further making some new savings and moving to a deeper partnership approach for both IT strategy and delivery. The proposals also define a new way of working for HFRS and HCC with HC, including shared ICT governance to support wider shared services.

The proposal also includes a joint data centre project, the scope and direction of which will be determined by HC and TVP based on their wider requirements for data centre consolidation. However, there is a clear opportunity to utilise HCC spare data centre capacity across the three partners.

Work has also been undertaken to consider the future benefits should the partnership extend to include TVP. This would present the opportunity to consolidate shared functions and management, but would require a clear and long term commitment from TVP.

Finance and Payroll

A single integrated finance function is proposed, which would be structured under a single shared head of service and will seek to share strategic and professional resources as well as core central functions (such as treasury management, corporate finance etc).

It is proposed that finance and payroll activities are delivered through an integrated function that uses a common system (SAP) and common processes to achieve high standards of performance at low cost.

Organisational/departmental insight and knowledge will be facilitated through accountancy services being delivered by units serving the organisations or specific departments and applying the principle of the business partner concept.

Human Resources⁹

A single integrated Human Resources function is proposed, operating under a single head of service with overall accountability for the delivery of strategic and professional HR services to all three organisations. The key aspects of the operating model are:

- Strategic Business Partner(s) aligned to individual organisations (HFRS and HC) or individual departments (HCC) with responsibility for determining organisation / department specific strategic HR requirements and then direct liaison with the HR delivery or employee transactions teams to deliver appropriate solutions;
- An integrated HR professional delivery function where casework, policy, workforce analysis, job evaluation, remuneration strategy and strategic workforce projects are delivered.

Occupational Health and Wellbeing

The workstream proposes an initial joint working arrangement between HC and HFRS which would be implemented in early 2012/13.

Given the complexity of the HCC service and its recent involvement in a cross public sector external tendering exercise, a second phase will explore the medium term opportunities and proposals for HC and HFRS to work jointly with HCC.

This will deliver a cost effective service, maximising opportunities to make savings and deliver proactive

⁹ The workstream has focussed on core HR services with Occupational Health & Wellbeing, Learning & Development all being included within other workstreams or blueprints

Occupational Health and Wellbeing locally to officers/staff. It will also reduce time away from duty for frontline officers/staff, share best practice, align policies and procedures where operationally appropriate, whilst maintaining individual business requirements.

Business and Transaction Services

Transaction processing will be delivered through a single integrated team operating under a single head of service and common systems and processes. This will cover all relevant transactional activity across the in-scope functional areas which mostly relates to finance transaction processing and employee transaction activity.

Cost Benefit Analysis and Apportionment of Costs, Benefits and Liabilities

Overview – Financial Benefits

In addition to the non-financial evaluation against the success criteria, this strategic business case also indicates the scale of the financial opportunity and estimated costs of delivering joint working in Hampshire.

An overview of costs and benefits is detailed below focussing on the costs / benefits of joint working (i.e. those that would be shared). A more detailed breakdown of costs and benefits is included within Appendix H.

Figures are presented as a savings range based on a combination of known uncertainties alongside applying a risk contingency of 25% increase to costs and 25% decrease to benefits to prudently reflect the uncertainty of some aspects of the high level financial analysis performed at this stage.

These costs and benefits would be shared between the three organisations based on the principles of the cost/benefit /liability apportionment model applicable to all joint financial benefits. A number of additional procurement benefits (relating to procurement savings) and the cost of organisationally specific HR professional resources and organisationally funded programme resources are identified separately, as these are directly attributable to each organisation (rather than apportioned).

	One Off Set Up Costs / (savings) ¹⁰ £'000		Annual Cashable Costs / (savings) £'000	
	Best Case	Worst Case	Best Case	Worst Case
Costs of Enabling Joint Working	2,660	2,980	570	960
Add				
Known current ICT investment ¹¹	N/A	N/A	(680)	(680)
Joint Financial Benefits	N/A	N/A	(1,900)	(1,200)
Net Cost/ (Benefit) to be Apportioned	2,660	2,980	(2,010)	(920)
Additional organisationally specific costs and benefits	385	700	(1,920)	(1,050)
Net Cost/ (Benefit)	3,045	3,680	(3,930)	(1,970)

¹⁰ Set up costs include the estimated one off costs of delivering enablers (ICT, HR and Legal). Estates may be a significant factor affecting the cost/benefit/analysis but has not been sufficiently developed at this stage (in part, because of the broader changes as part of each organisations' internal review programmes) and therefore is excluded from the analysis above. Additional organisationally specific set up costs that are not funded through re-prioritisation of workloads are included separately below the apportionment line.

¹¹ This relates to a future cost avoided from the annual running cost of HC legacy systems (e.g annual licence costs)

Cost/Benefit/Liability Apportionment

It is proposed that each organisation will receive an equitable percentage split of the costs, benefits and liabilities directly associated with joint working (see apportionment methodology in Appendix G). Percentage splits based on the financial baseline have been indicatively applied to the costs and savings of joint working as an illustration of the financial implications for each organisation¹². The details of the apportionment calculation are included in Appendix H.

Organisation	One Off Set Up Costs / (savings) £'000		Annual Cashable Costs / (savings) £'000	
	Best Case	Worst Case	Best Case	Worst Case
HCC	1,858	2,077	(1,424)	(635)
HC	644	725	(473)	(228)
HFRS	158	178	(113)	(57)
Total	2,660	2,980	(2,010)	(920)

Summary of total costs and benefits for each organisation

As noted above, additional procurement savings and some organisationally specific set up costs (professional HR resource and programme management resource) have been directly allocated to each organisation on top of the apportioned costs and benefits detailed above. These are summarised in the table

¹² The percentages are based on the baseline included on page 13 of this report and summarised in Appendix G. It is noted that the baseline is illustrative at this stage and will be subject to change as part of the finalisation of proposals.

below (detailed breakdowns are included within Appendix H) to identify the overall financial impact for each organisation with indicative returns on investment¹³ and payback periods¹⁴ based on the timings of expected cashflows (e.g. this reflects that not all procurement savings would be realised immediately, and set up costs would be spread over a phased implementation). An illustration of the payback period based on estimated timings of the cashflows is included in Appendix H

Organisation	One Off Set Up Costs / (savings) £'000		Annual Cashable Costs / (savings) £'000		Return on Investment (Payback Period)
	Best Case	Worst Case	Best Case	Worst Case	
HCC Total	1,858	2,197	(1,804)	(825)	2 – 3 years (4 – 6 years)
HC Total	794	925	(1,863)	(1,018)	0 – 1 years (2 – 4 years)
HFRS Total	393	558	(263)	(127)	2 – 5 years (4 – 7 years)
Total Programme	3,045	3,680	(3,930)	(1,970)	0 – 2 years (3 – 5 years)

¹³ Return on investment is defined as the one off set up costs divided by the full annual cashable savings once the entity is established.

¹⁴ Payback period is defined as the expected time for each organisation to breakeven on set up costs based on the expected phasing of cashflows. E.g. It is recognised that procurement savings would not be realised immediately and these are phased over a number of years.

Strategic Opportunities, Risks & Achievability

Strategic Opportunities

The generic benefits of joint working have been evidenced throughout this paper and have been linked to the success criteria. However, it is noted that there are a number of additional and less tangible strategic opportunities which go beyond the success criteria and a financial case. These additional opportunities have been raised by the professional business area leads but remain more complex to articulate at this stage in the development of the joint working proposal.

These include:

- **Further protection of frontline services** - There will be opportunities for further joint working beyond the current programme scope as the organisational relationships and understanding matures. These opportunities will further protect front line services to the continued benefit of Hampshire residents and meet the shared strategic objectives of each organisation.
- **Further growth, innovation and expansion** - Joint working will facilitate and encourage the joint development, further innovation and expansion of services drawing on best practice and offering services to other public sector partners. This will lead to a continuous improvement in performance, develop further economies of scale and increase resilience.
- **Strong foundations for sustainable high standards of service delivery** - The joint working proposals provide a

sustainable footing to deliver the best possible services to each organisation to meet the needs and expectations of the service users in Hampshire. There is also the longer-term potential for greater partnership working for frontline service delivery to benefit Hampshire residents. This could involve improved 'customer journeys/ experiences' and taking a more 'total service' approach to complex issues or service needs.

- **The best staff and resources** - Joint working will provide each organisation with the best possible professional capacity, skills and resources. This will create the ability to attract and develop the best staff within the public sector in Hampshire, and provide greater opportunities for staff career progression.

Strategic Risks

A programme of this scale and complexity will inevitably create a number of strategic risks which need to be considered and managed. Part of this management includes linking these risks to any achievability factors which are described later in this section. The strategic risks of joint working can be found in Appendix I and each risk has been given a score using standard risk assessment methodology. These risks are summarised as follows:

- **Business Processes** - A risk that the business processes which underpin the 'in scope' areas across the three organisations have not been fully explored or understood. This may result in an inability to realise the anticipated benefits of joint working, as set out against the success criteria.
- **Human Resources** – A risk of the potential loss of staff, expertise and skills through reorganisation to other organisations. The impact of the redistribution of skills and experience during any transition period on business as usual and the risk that organisations do not commit sufficient resources to the detailed implementation phase which may result in an inability to realise the benefits of joint working.
- **Understanding of Joint Working enabling costs** – A risk that some or all of the predicted enabling costs for Joint Working (HR, ICT, Legal and Estates) may have been underestimated and there may be some additional areas of cost that have not been anticipated at this stage.
- **Organisational Culture and Relationships** – A risk that there is an inability to transform or adapt organisational cultures and/or a lack of willingness to compromise in order to adopt the new model of joint working. This may arise from a lack of understanding of the scale of differences in management, culture and fit which may cause delays in the realisation of benefits. This is relevant to both those directly involved in the in-scope joint working service areas, but also to all staff working across the wider organisations.
- **Current and Emerging National Strategies/Policies** - A risk that the opportunities and benefits of Joint Working are constrained by new or existing policies and legislation. This may include a risk that Joint Working across public sector organisations may lead to a disconnect between some partners and opportunities provided through service specific national or regional framework agreements. The strategic objectives of the organisations may diverge over time as a result of these local, regional or national influences.
- **Organisational Brand** - A risk that each organisation loses their professional distinctiveness and independence and staff feel culturally disconnected from their organisations.

Achievability

To manage and reduce the likelihood and impact of the risks identified, a number of general achievability factors should be considered and established ahead of the commencement of any implementation phase. These factors for successful implementation include:

1. **Executive sponsorship and commitment** - There remains strong support for the joint working programme and positive relationships between the Chief Constable, the Chief Fire Officer, the Chief Executive of HCC and their respective senior leadership teams. This is vital to ensure ongoing organisational commitment to the implementation and ongoing management of the proposed joint working model.

2. **Clear long term vision** - There is an established and clear vision which looks beyond the immediate challenge of achieving efficiency savings and towards sustainable service improvement.
3. **Early identification of an accountable programme lead** - Strong working relationships have been forged between the change/programme leads from each organisation. This has been the catalyst for the rapid progress made to date, the momentum of which must be maintained. The early identification of an accountable programme lead will be key to the success of this programme and will help ensure the delivery of the proposed joint working model within the proposed timescales.
4. **Appointment of a dedicated programme team to deliver the proposed joint working model** - Successful implementation of this joint working model demands a detailed design phase. This will require a dedicated and suitably skilled team from the three organisations to ensure the delivery model meets the success criteria and is appropriately aligned to each organisations corporate change programme.
5. **Detailed design phase** - If governing bodies support is given and the strategic direction is agreed, detailed work will be undertaken to further develop and test the proposals for each service area and the integrated proposals. This will be performed in a phased approach as outlined on page 30, and will require clear definition of expected outcomes, detailed business design and process mapping, policy alignment and improvement. This will also require key milestone reviews so that each organisation can assess progress, the costs of change and the probability of the benefits being realised against the three success criteria. The implementation of an agreed governance structure and the realisation of the quick wins will also underpin the success of the joint working proposal.
6. **Specialist legal advice** - Specialist legal support has been provided to the Joint Working Programme. This has concluded that an 'Unincorporated Contractual Partnership' should be applied to meet the success criteria of the joint working proposal. The legality of the proposed model has been supported by Legal Counsel opinion (Appendix M). The continued legal input is vital to protect each organisation from unforeseen costs or risks.
7. **Commercial expertise** - Different expertise and capacity already exists within each organisation and will be embedded within the programme. This includes a mix of public and private sector experience from local government, police, fire and elsewhere.
8. **Staff engagement and positive relationship with staff associations** - Communication with and engagement of staff and managers directly affected by the proposals has taken place during the development of the strategic business case. It will be essential to continue this work and to engage staff and their representative bodies/staff associations in the detailed design phase of the programme and beyond. Formal consultation with individuals will be carried out when/if there are plans to change the current working arrangements and/or employment conditions of any staff groups.

9. **Stakeholder engagement** – Ongoing engagement is required with Members, staff involved in front line service delivery and external partner organisations. A high level stakeholder mapping exercise has already been performed over the last six months and this will need to inform a stakeholder management and engagement strategy as the programme moves into its next phase.

10. **Realistic timescales** - The timescales for creation and implementation of the joint working entity needs to take account of and align to the organisational change programmes already in place within the three organisations.

Looking Forward – Design and Implementation

Outline Plan

Recognising the opportunities and risks identified within this report, a high level timeline for design and implementation has been prepared (see Appendix J).

This timeline encompasses the achievability factors and recognises the early steps that are required to establish a foundation for the implementation of the joint working proposal. A more detailed implementation timeline and plan will be developed as an early part of the planning and mobilisation phase.

Phasing of Transition

A phased approach will be taken in order to minimise disruption to the three organisations business as usual activities. During the transition it will be necessary for each organisation to continue delivering its services as currently required, link with current internal change programmes and work towards aligning internal practices and processes to move into the joint working arrangement.

It is also recognised that there are many differences between how the three organisations currently operate and this will be complex to manage both practically and culturally. Appropriately sequencing the activity to reach that point will be crucial to recognise the complexity of the task which goes beyond improving and integrating processes, systems and services to

touch upon the deep-rooted behaviours, identity and cultures of the three organisations and staff.

If approval is given to proceed the programme will require a phased approach to design, build and implementation, recognising a series of key interdependencies, significant cultural changes, potential quick wins and the appropriate sequencing of workstreams. Timings must also be clearly aligned to each organisations current corporate change programmes as part of the planning of the next phase of work. The detailed planning of this programme will be performed during a dedicated planning and mobilisation phase included within the high level implementation plan (Appendix J).

Each area of change will need to go through a robust design, build and implementation process, which will be linked to a series of interdependencies with “enablers” (such as the ICT join up, the development of a legal model). This will require robust programme management disciplines and formal sign off of design prior to build and implementation.

Depending on the nature of the functions it may be that early decisions can be made to share management, develop joint funding arrangements and also consider pilot approaches in advance of locking into the intended legal model or final governance arrangements

It is expected that some areas could be fast-tracked (such as procurement, occupational health and wellbeing, professional

finance functions and the property services blueprints) and delivered more quickly. Other areas (such as the development of an integrated transaction processing centre) will require a more complex reconfiguration of ICT infrastructure, the implementation of the final legal model and governance structure and where appropriate, transfer of staff.

The following gives an indication as to what the implementation sequencing of service areas could be if governing bodies give their approval. This will be reviewed and updated as part of the initial planning and mobilisation phase.

Implementation	Service Areas
Fast tracked (0 - 1 years)	<ul style="list-style-type: none"> • Professional and strategic finance • Occupational health and wellbeing • Procurement • Blueprint proposals (e.g. Property)
Medium term redesign (0 – 2 years)	<ul style="list-style-type: none"> • ICT • Integrated business and transaction processing
Longer term redesign (0 – 3 years)	<ul style="list-style-type: none"> • Professional and strategic human resources

Conclusions

Conclusions

This report sets out a strategic business case for a single integrated corporate services entity providing services to Hampshire Fire and Rescue Service (HFRS), Hampshire Constabulary (HC) and Hampshire County Council (HCC).

It sets out a proposed model for shared corporate services based on a single entity providing integrated strategic, professional and transactional services to the three organisations.

Whilst recognising the complexities of existing relationships with current partners and the level of cultural change, investment and risk, this creates a significant opportunity to improve performance, improve capacity and increase resilience (at a time of significant workforce reductions) and make further financial efficiency savings. These three success criteria objectives are all important and provide the underlying rationale for the joint working proposal.

Not only is the model expected to deliver short to medium term benefits against the three success criteria, but it will also deliver a number of significant longer term benefits through creating a sustainable joint foundation to achieve the shared strategic objective of delivering the best possible public services for the residents of Hampshire.

The model reflects a long term vision for delivering joint services, and it is expected that this will take a period of one to three years to design, develop and implement. If this proposal is approved, a significant programme of work and investment will be required to perform detailed design and phased implementation of the proposals, including the development and investment in a number of key enablers for joint working such as the legal model, ICT infrastructure, HR processes and developing an estates solution.

Appendix A – How the Proposed Model Meets the Success Criteria

The table below provides a summary of the how the proposed integrated model detailed on page 15 of the strategic business case meets the three success criteria.

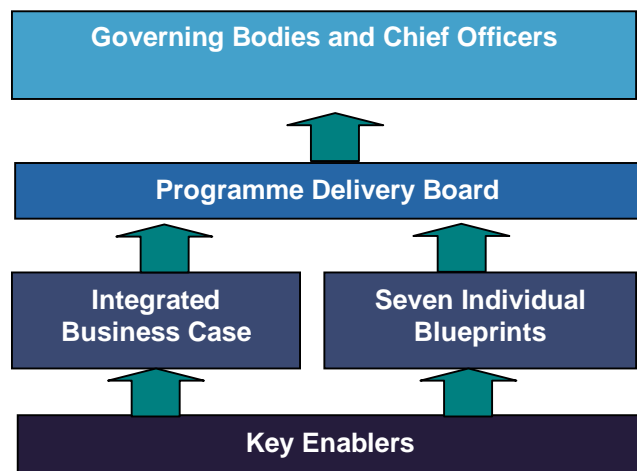
Improved Service Performance and Quality	Organisational Resilience and Future Capacity	Efficiencies and Cost Reduction
<p>Share resources, best practice/innovation and expertise</p> <p>Share and jointly invest in technology to modernise services</p> <p>Joined up strategic direction for all services, whilst embedding organisational understanding and relationships</p> <p>Enable a focus on front line operational service delivery</p> <p>Sharing best practice to develop more efficient processes</p> <p>Allows greater joint working across other areas in the medium/longer term</p> <p>Ease of accessing joint services- a 'one stop shop'</p> <p>Improved services to internal customers</p>	<p>Resilience, flexibility and agility to respond to changing requirements and priorities</p> <p>Attract and retain the best people by providing diverse roles and career progression opportunities</p> <p>Position services for expansion and growth with other organisations</p> <p>Joint investment in corporate projects</p> <p>Share and develop scarce resources and expertise</p> <p>Strong regional presence and local buying power</p> <p>Ability to sustain further operational and funding pressures</p>	<p>Economies of scale and critical mass</p> <p>Sharing overheads and management at all levels</p> <p>Removal of current "supplier / client" splits across existing sold services</p> <p>Reduced duplication of core functions and high volume transactions</p> <p>Sharing best practice to develop more efficient processes</p> <p>Improved buying power and influence on the supply chain</p> <p>Simple non bureaucratic processes for staff will mean less time abstracted from front line services</p>

Appendix B – Programme Design

Programme Design and Governance

The joint working programme has been split into three core components which are overseen by a Programme Delivery Board:

- Integrated Strategic Business Case;
- Seven Individual Blueprints;
- Key Enablers.



Programme Delivery Board

Following the approval of the ‘Statement of Commitment’ in September 2011, a Programme Delivery Board was established which is responsible for the planning, co-ordination and development of the strategic business case for the ‘Joint Working in Hampshire’ project. The Board is chaired by the County Treasurer (as the overall project lead) and is made up of senior representatives from each organisation, reporting directly to Chief Officers.

Integrated Business Case

A single Integrated Strategic Business Case has been developed for the following five interrelated functions:

- Procurement;
- ICT;
- Finance and Payroll;
- Human Resources;
- Occupational Health and Wellbeing.

In October 2011, workstream groups were established from each of the five functions detailed above with representatives from each organisation and a single workstream lead. Each

group was tasked with developing and evaluating practical options for change based on a theoretical model for the delivery of a single integrated corporate support function.

The workstream leads from each group also made up a separate integrated subgroup to work with the Programme Delivery Board to draw together findings of the individual workstreams and identify cross-functional benefits, costs and savings that would arise from joint working.

Seven Individual Blueprints

Seven individual blueprints have been developed for the following functions:

- Transport and Fleet Management;
- Property and Estates;
- Facilities Management;
- Training/Learning and Development;
- Media and Corporate Communications;
- Research and Analysis;
- Legal Services.

Workstream groups were also established from each of the areas above. Each group was tasked to ensure that all options for joint working were considered and evaluated against the agreed success criteria.

The findings of the seven individual blueprints are reported in a separate individual blueprint proposals report.

Key Enablers

A number of key enablers and identified costs have informed the development of all opportunities for Joint Working in Hampshire. Enabling groups were established for the following areas:

- **ICT** – To identify ICT, security and information management issues and recommend options to overcome these.
- **Finance** - To identify an underlying financial baseline and develop a practical finance model for cost/benefit/liability apportionment within any future arrangements.
- **Legal Models** – To identify practical legal models for joint working in accordance with agreed design principles that reduces (or eliminates) potential procurement and other risks.
- **HR Processes and Change Management** – To identify the key HR processes, risks and change management that will need to be addressed in the joint working arrangements across the three organisations.
- **Estates** – To identify the key estates requirements and potential implications that will need to be considered to develop the joint working arrangements across the three organisations.
- **Communications and Engagement** – To develop a communications and engagement strategy as the

programme develops.

- **Performance Baseline** – This has been considered and is intended to be undertaken in May/June 2012 if governing bodies approve the strategic business case.

Programme Risks

The Programme Delivery Board is responsible for updating a programme risk register which is reported to the Programme Board and Chief Officers as part of monthly highlight reports.

High risks are escalated to Chief Officers on an exception basis for action / sign off.

Equality Impact Assessments

The programme has engaged with equalities leads from the three organisations and developed an initial outline impact assessment. The high level assessment indicates the current staff in the organisations and across the areas of work considered within the business case.

The detailed design phase and implementation plan will identify the impact on specific groups of staff as final proposals are agreed. This will enable the programme and the organisations to consider the specific equality impacts and to address any adverse impact on specific groups. Each organisation will produce their own impact assessment to reflect the impacts within their organisation as a whole and within the respective teams involved in the Joint Working programme. This will be collated and maintained within the over arching People Impact Assessment (PIA).

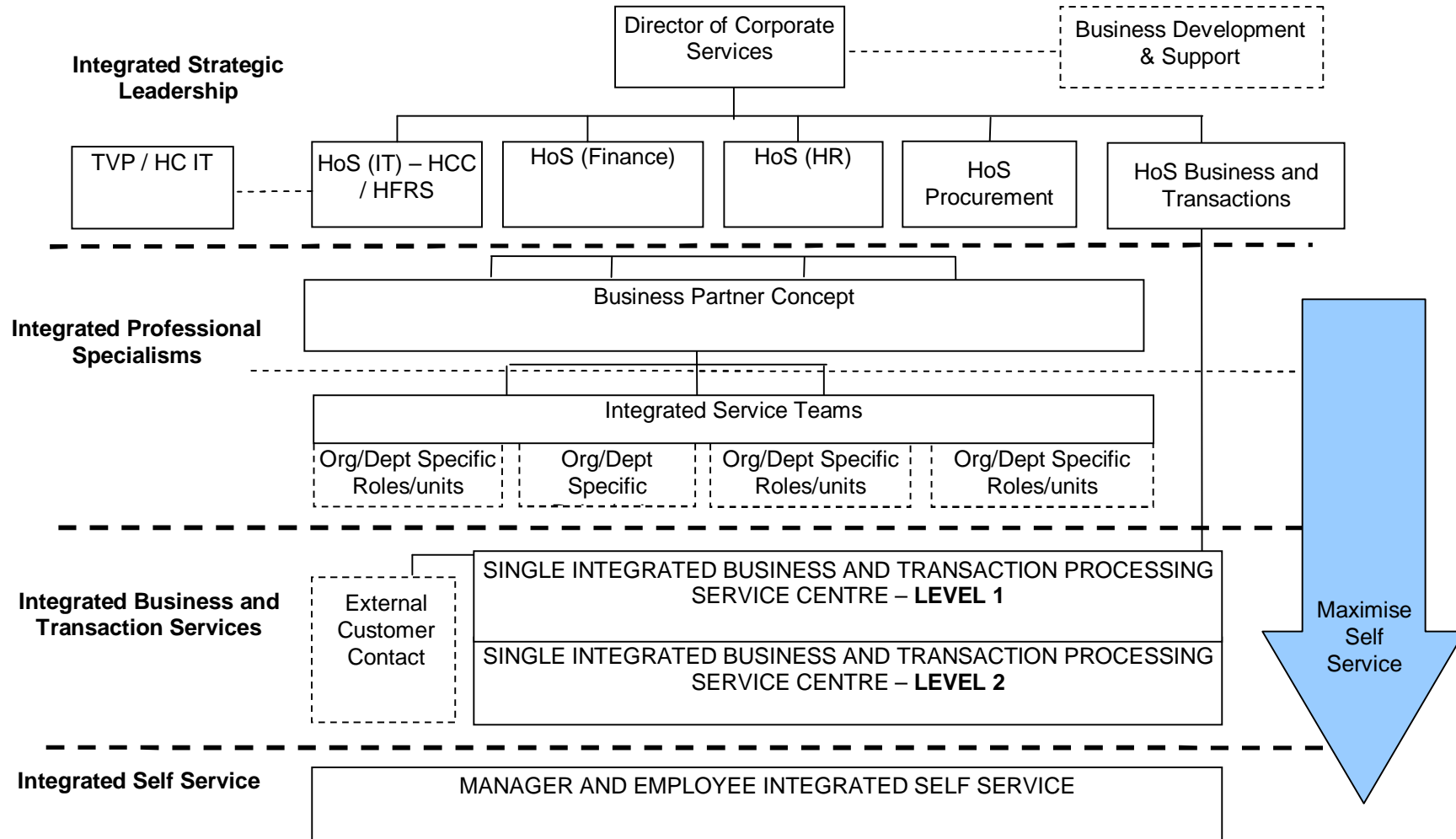
Communications and Reporting

The Programme Delivery Board has developed a communications and engagement plan which supports a structured, clear and consistent programme of communication and engagement across each organisation.

Regular communications have been sent out by Chief Officers between September 2011 and April 2012, and an engagement exercise has been undertaken in February 2012 and March 2012 to gather staff feedback on emerging proposals.

Key partners (including the Unitaries and Districts) have been kept informed of the developing proposals through a letter enclosing the interim update report in March 2012. This communication will continue along with the opportunity for other partners to become involved as part of a later phase, if approval to proceed is given.

Appendix C – Proposed Integrated Model



Appendix D – Legal Models

Proposed Legal Model

The proposed legal model is an **Unincorporated Contractual Partnership** (a public – public partnership) where parties work together without creating a separate legal entity but with binding and enforceable contractual arrangements and a joint management board.

	Set Up Costs £'000	Ongoing Costs £'000	Set Up Timeframes
Legal Model	80 - 100	N/A	6 – 12 months

This is deemed to be the most effective option for the following reasons:

- Cost effective solution compared to the other models considered) as it does not create a separate legal entity;
- Creates a contractually binding partnership (which can be specifically tailored to meet organisational requirements);
- It is legally possible to create under existing powers and known legislative changes through the introduction of

the new Police and Crime Commissioner (PCC);

- Enables the organisations to provide services to each other through a partnership and therefore reduces the risk of procurement challenges;
- Provides a level of flexibility to grow the partnership to include other organisations, or generate income from other organisations under current powers (providing services are delivered at cost under a non-trading arrangement);
- The legal model would not restrict each organisation’s ability to continue selling services and generating income. The establishment of a separate sister trading company would need to be considered if the three organisations wanted to develop commercial trading arrangements generating profits at a later stage.

The model is a contractual partnership which would take the form of a partnering agreement, shared governance and a management board. It is essential that this is a public – public partnership to reduce the risk of legal challenge and deliver services in a genuine shared way.

None of the organisations would procure a service from the other though there would still be contractual elements within this model.

Such partnership arrangements may include arrangements for secondment of staff or TUPE transfers between the partners, and for the sharing of access to premises, systems and resources, the transfer or novation of contracts and leasing agreements with existing suppliers and the negotiation of appropriate indemnities and exit provisions.

The legality of the proposal is also supported Legal Counsel advice, which is summarised in Appendix M.

Other Models Considered

This programme of work has considered and rejected the following short list of alternative legal models in detail to deliver the proposed operating model for joint working. This short list (including the contractual partnership) was presented to Legal Counsel for their opinion (see Appendix M).

Teckal Company

An in-house company (wholly-owned by the partner bodies) which is used for the delivery of services back to the three partner bodies. This model relies on the 'Teckal exception' which allows a local authority to purchase services from a company over which it exercises control.

This vehicle is suitable for use where services are required to be jointly delivered by public bodies to those same public bodies on a non-commercial basis. A company limited by guarantee would be set up into which staff would either be

TUPE transferred or seconded. Each partner body would then have its own contract with the company pursuant to which the services would be provided back to it.

This model has no advantages over the unincorporated contractual partnership (such as being a legally possible solution, reducing the risk of procurement challenge and enabling income to be generated from non-trading activity). It has been rejected for the following reasons:

- The model would be more complex and costly to set up;
- The model would be subject to additional rules and regulations associated with a private sector company (e.g. tax law, annual accounts, boards of directors etc);
- Although a separate legal organisation may improve the development of a new shared culture it would require a significant TUPE transfer of all staff to a new legal entity.

Police Collaboration

Amendments to the Police Act 1996, introduced by the Police Reform and Social Responsibility Act 2011 (when in force) enables two or more policing bodies, or the Chief Officers of police of one or more police forces and two or more policing bodies, to enter into a collaboration agreement providing for the discharge of functions in a collaborative way.

Further, collaboration agreements may include other parties, which might include HCC and HFRA, but at this stage it is not considered that collaboration would offer any additional benefits compared with the unincorporated contractual partnership.

However, this model has been rejected because until this legislation is amended there is a requirement for a second policing body/chief constable to be party to the arrangements, which is not currently part of the proposal. There could also be risks that if one policing body were to leave then arrangements would fail as there would no longer be the requisite number of police bodies.

Joint Discharge of Functions

Joint discharge of functions under S.101 of the Local Government Act 1972 would not be available as this power extends only to HCC and HFRA, and there are a number of functions included within the scope of this work which could not be jointly discharged. The Police Reform and Social Responsibility Act 2011 will abolish the application of this provision to Police Authorities.

As with police collaboration, even if this was a legally viable option, it would not offer any additional benefits compared with the unincorporated contractual partnership.

Service Contracts

The parties as public bodies can continue to work and trade together under the Local Authorities (Goods and Services) Act 1970 under service contracts.

However, such contractual arrangements will be subject to the public procurement regime unless they are below the relevant EU threshold. Values of similar services would need to be aggregated in determining whether the threshold was met.

This model has therefore been rejected because it does not

develop a joined up partnership approach (i.e. it would be a case of one lead organisation selling services back to the other two partners). Furthermore, the model would need to develop specific contractual arrangements for the selling of services between partners which would be subject to formal procurement law processes.

Appendix E – ICT Enabler

ICT Design Principles

Although there is already significant ICT join up between HCC and HFRS, a significant IT investment will be required to enable the joint delivery of corporate services and overcome a number of specific complexities (such as current partnership arrangements with Thames Valley Police, Licensing, Data Security etc).

	Set Up Costs ¹⁵ £'000	Ongoing Costs/ (benefits) £'000	Set Up Timeframes
ICT Infrastructure Costs	1,140 - 1,890	570 - 960	1 – 2 years
Future Costs Avoided ¹⁶	N/A	(680)	Ongoing
Total	1,140 - 1,890	(110) - 280	

The specific ICT enabling model will be designed in detail and delivered by the next phase of planning and

¹⁶ Ongoing costs of running and maintaining the joint ICT environment will be offset by known future expenditure. This relates to a future cost avoided from the annual running cost of HC legacy systems (e.g annual licence costs).

implementation but will be driven by the following principles:

- **Use HCC core IT infrastructure as the foundation for joint working** – this will ensure that data security issues can be more effectively overcome and will not compromise the relationships between HC and TVP;
- **Single Core SAP ERP** – HCC and HFRS already have SAP in place, whereas HC do not have a single ERP system and would require significant investment to build an ERP. Therefore it is proposed that HC utilise the established SAP ERP. It is acknowledged that work will be required as part of HCC's corporate services review to align processes with HC.
- **Consolidate Systems, Processes and Applications** – It is expected that the organisations will share a single set of “best practice” systems, processes and applications. By sharing single systems and applications it is expected that a number of future costs will be avoided. Where individual service specific applications reflect business need they will be interfaced with the shared core systems.
- **Operate at security Impact Level 2 (IL2)** – The

majority of data being used by the joint working partnership can be managed at IL2 within HCC's existing core infrastructure. Data that will need to be held at a higher security level will be managed on an exception basis and most likely through the HC network.

- **Single Access to Systems** – Where possible staff working for the shared services entity will have a single access (rather than needing to log onto multiple systems).

Managing Existing Partner Relationships

HC/TVP already have a Joint ICT department and are moving the Forces to a joint (single) ICT infrastructure. This model is predicated on the fact that both organisations adhere to the same national security requirements.

HC can undertake ICT collaboration work with HCC without involving TVP as long as it works within the joint risk appetite and governance framework and is restricted to the secure exchange of data (but not TVP data) and user access to systems (subject to appropriate security controls).

Information Security

HC, HFRS and HCC infrastructures are designed to operate at different levels of security and business impact levels. If the shared service operates at the lower impact level then this will be simpler to achieve than if the higher level is required.

Licensing

Licensing has been highlighted as an area of high risk due to HC, HFRS and HCC potentially having insufficient licence coverage and flexibility (especially Microsoft) which might result in increased costs. These additional costs have been factored into the ranges of ongoing costs proposed above and can be appraised in more detail once the programme moves into a detailed design and implementation phase.

Identity Management

The IT proposals include a solution to enable secure access to shared resources across the partners and for managing single identities and security permissions for those working within the joint corporate support entity.

Appendix F – HR Enabler

HR Enabler

The HR enabler has focussed on identifying key HR processes, issues and risks as well as solutions to overcome them, alongside the costs and timelines associated with implementing the proposals for joint working.

	Set Up Costs £'000	Ongoing Costs £'000	Set Up Timeframes
Provision for Redundancy Costs ¹⁷	900 - 450	N/A	One Off
Provision for Pension Strain	400 - 200	N/A	One Off
Pay Protection	140 – 340	N/A	2 years
Total	1,440 – 990	N/A	

It is noted that these one off-set up costs will deliver approximately £1.2m - £1.9m of annual workforce efficiency savings (as detailed in Appendix H).

¹⁷ The redundancy provision and pension strain is based on applying HCC's recent voluntary redundancy estimates following its workforce reductions in 2011/12. The range reflects a best case / worst case linked to the financial savings delivered through workforce reductions. Therefore the lower cost is matched to the worst case and the higher cost is matched to the best case to determine the total set up cost range.

The enabler proposes the following design principles / assumptions:

- There will be a staff transfer to a single host employing organisation. The least cost option is likely to be a transfer staff to the largest employing organisation (HCC) as an administrative convenience, where the staff will form a joint shared services team under the joint direction and governance of the three organisations.
- There is an assumption that new staffing structures will be developed within an agreed cost envelope. Pay protection may apply in the short term and a set up cost has been included for this.
- Early identification of accountable joint leadership should be made to provide immediate interim leadership, accountability and ownership to the next phase.
- Staff at other levels will at some point transfer to the areas of responsibility of the newly appointed managers within the new structure according to role type. This should be possible to achieve on a common date across all functions.
- Mapping across to an interim structure would initially be on existing terms and conditions and

enable the identification of ring fenced groups for appointment processes.

- Subsequently a new organisational structure would be designed with staff appointed to new roles on common terms and conditions of employment (with protection arrangements in the case of reduced terms).
- Even if TUPE does not strictly apply “The Cabinet Office Statement of Practice (“COSOP”): Staff Transfers in the Public Sector” may apply. COSOP creates an assumption that in public sector transfers, “TUPE like principles” will be followed, even if TUPE does not technically apply.
- A provision for redundancy costs and the impact of pension strain has been included to reflect the potential costs of staffing reductions. Where possible, staffing reductions will be delivered through vacancy management and on a voluntary redundancy basis.
- An appropriate specialist HR resource would be required to manage the change. This could be part funded by reallocation of priorities within existing teams (i.e. an opportunity cost) or may require additional resources to backfill or fund teams. At this stage these costs have been included where each organisation has identified a requirement to directly fund additional HR capacity to manage the change. These costs have been specifically allocated to each organisation rather than apportioning costs through the cost / benefit /

liability apportionment methodology.

One off Set Up Costs

Costs will broadly be one-off, or short / medium term and will depend on whether staff remain in their current organisations or are seconded or transferred to shared service delivery teams. Before a detailed design phase and the development of individual structure charts below management level have been designed, it has been extremely difficult to define costs. Key cost categories are:

- redundancy pay / pension costs;
- recruitment costs;
- potential litigation costs;
- pay equalisation claims and buy out of terms and conditions of employment;
- Additional HR resource required to support any restructuring process;
- Salary protection arrangements;
- Relocation costs.

Employment Law

Three broad options, for the employment of staff to the proposed operating model have been considered:

- Teams work together without transfer or secondment;
- Secondment to host organisation;
- Transfer to host organisation.

For practical reasons it is considered that teams would need to be seconded or transferred to a host organisation to ensure that reporting lines, structures and accountability can be effectively managed.

A secondment arrangement is workable but could make management and joint working less effective and less stable in the medium to long term.

A staff transfer is therefore the preferred approach for the employment of staff. This would enable the creation of a more stable single joint working structure, with clear lines of accountability and management. Terms and conditions as well as pay grades could also be harmonised over time to ensure that staff working jointly across the three organisations are treated in a consistent way and compliant with Equal Pay requirements. It is likely that any transfer of this type would follow the principles of a TUPE transfer, and this would be further explored and developed as part of the detailed design phase.

Implementation

There are a number of options for a preferred more permanent formal staff transfer:

- i) Transfer all staff within existing structures;
- ii) Develop an interim structure with a single management arrangement, but with staff transferring at other levels and moving gradually to an integrated structure once this is developed at a future point in time;
- iii) Develop a complete new joint structure with new terms and conditions of employment at the outset and appoint staff to it from the three partner

organisations.

Option (ii) is preferred by the HR enabler group, as this puts a stable management structure in place to manage the change, but allows for other structures to be developed in a phased way and aligned to the timescales of other key enablers (such as IT systems etc).

A joint management team could be implemented within 3 – 6 months, and staff could then be mapped on to the areas of responsibility of the newly appointed managers within the new structure according to role type. It will however be necessary to consult on arrangements.

Appendix G – Finance Enabler

Finance Enabler

The finance enabler has focussed on determining an accurate financial baseline for joint working and developing a cost/benefit/liability apportionment methodology.

Financial Baseline

The baseline has been determined based on the expected post corporate change programme financial position, to ensure that any costs and savings are not double counted as part of the joint working programme.

The baseline has been complicated by the following factors:

- Different internal accounting practices for the treatment of overheads and internal recharging;
- Different ways of classifying types of expenditure (e.g. HC accounts for Finance IT system costs within Finance, whereas HCC and HFRS account for system costs within IT);
- The significant level of external income generated by HCC, which funds expenditure and contributes to overheads;
- Clearly defining the scope of services to be included within Joint Working and being able to transparently identify any exclusions.

The enabler has therefore concentrated on determining the

gross direct costs of services, less any income currently derived directly from the three partners and making adjustments for known exclusions from scope.

An illustrative baseline has been provided below, and this will need to be finalised as part of the detailed implementation phase.

Service Area	HCC £'000	HCC (FTE)	HC £'000	HC (FTE)	HFRS £'000	HFRS (FTE)
Procurement	1,800	36	400	9	100	3
ICT	44,400	402	15,000	0 ¹⁸	2,700	18
Finance (including Payroll)	14,100	421	2,800	69	400	4
HR (including some Payroll)	6,700	172	2,400	61	1,300	23
Occupational Health	800	17	800	9	300	5
Total	67,800	1,048	21,400	148	4,800	53

¹⁸ The cost of delivering HC ICT is included within the baseline, but staff have been excluded as they are employed by Thames Valley Police (TVP) as part of an existing collaboration agreement.

Cost / Benefit / Liability Apportionment Model

The model has been developed on the overall principle of providing a fair split of the costs and benefits in a way which is easy to understand and simple to put into practice. Although it is unlikely that one model will be suitable for all joint working areas, a single model can be used for the central, integrated units.

The proposed method of cost allocation is to use the relative percentages of the baseline costs for each organisation for the support services involved. This reflects the current risks each organisation is currently taking against costs and income and supports the principle of a simple and transparent approach for apportionment, that is consistent with the ethos of public – public partnership working outlined by the legal enabler.

This method relies on accurate baselining, and it will be challenging to ensure that equivalent costs are included across all three organisations. The final apportionment percentages will therefore not be confirmed until shortly before implementation in order to ensure that they are as accurate as possible and will be signed off by the agreed governance arrangements.

Using the initial illustrative baseline costs outlined above, the relative percentages are as follows:

Five Integrated Service Areas (including Occ Health)

Organisation	HCC %	HC %	HFRS %
5 Integrated Service Areas	72%	23%	5%

Four Integrated Service Areas (Occ Health shown separately¹⁹)

Organisation	HCC %	HC %	HFRS %
4 Integrated Service Areas	73%	22%	5%
Occ Health including HCC	42%	42%	16%
Occ Health excluding HCC	N/A	73%	27%

The principle of a percentage split would therefore be applicable to the development of the joint working proposal (i.e. the apportionment of all set up costs and joint benefits) and the allocation of future operating costs. This will ensure that the risk of current income generating activity with external organisations is not transferred between the three partners.

All new invest to save, additional expenditure or income generating opportunities that would result in a material change to the baseline would need to be considered on a case by case basis. Costs and benefits could then either be shared proportionately between the three partners, or it could be agreed that one particular partner would take a greater percentage of the risk (e.g. If significant investment in an organisationally specific undertaking is required, that organisation is likely to take on the full risk / cost).

The baseline will be closely related to governance arrangements which will need to reflect this approach for managing the risk of existing and new arrangements in a simple and pragmatic way. However, the above approach gives the flexibility to either retain existing risks or share new risks across the three organisations.

¹⁹ Occupational Health and Wellbeing is shown separately as the initial costs / benefits for joint working in this area only relate to HC and HFRS.

Appendix H – Cost Benefit Analysis

Set Up Costs (One Off)

As noted in each of the appendices for the enablers (Appendices D – G), a series of one off costs will be incurred by the key programme enablers as part of the implementation of the joint working proposals and will be apportioned across the three organisations. The costs are reflected as a best / worst case range reflecting some of the uncertainty associated with high level costing performed at this stage.

Cost	Best Case (£'000)	Worst Case (£000)
ICT	1,140	1,890
HR ²⁰	1,440	990
Legal Model	80	100
Estates	N/A	N/A
Total	2,660	2,980

ICT costs include the cost of staff within specialist professional “in-house” teams that would be required to

²⁰ HR costs include a redundancy provision and pension strain provision is based on applying HCC's recent voluntary redundancy estimates following its workforce reductions in 2011/12. The range reflects a best case / worst case linked to the financial savings delivered through workforce reductions. Therefore the lower cost is matched to the worst case and the higher cost is matched to the best case to determine the total set up cost range.

deliver the key programme enablers.

The cost of professional HR change teams has been excluded from the costs above, as this partly represents an opportunity cost of reprioritising workloads within the existing teams. However, organisations may also incur a real cost of needing to backfill roles and fund additional specific resources and this is reflected in each organisation's allowance for programme management costs.

Programme Management Costs (One Off)

Each organisation will need to make allowance for:

- Central programme management resources to centrally coordinate the next phases of the programme (i.e. The costs to each organisation of contributing staff resources to a central team to deliver the next phases of the programme);
- Organisationally specific resources to manage the change internally within their own organisation (although this will be partly reflected in the dedicated professional HR change teams);
- A contingency for external programme consultancy support and scrutiny.

These cost have been included within the specific organisational allowances for each organisation on page 50.

Annual Costs (Recurring)

A number of ongoing IT costs will be incurred in order to join up the IT infrastructure of the three organisations (e.g. Additional licence requirements for shared systems). These will however be offset by known current annual costs of running legacy systems that would no longer be required. This generates a best case / worst case scenario, which is driven by the uncertainty associated with costing future licensing arrangements.

Cost	Best Case (£'000)	Worst Case (£000)
ICT Annual Costs	570	960
ICT offset expenditure	(680)	(680)
Net Position	(110)	280

Joint Working Benefits (Recurring)

The financial benefits of joint working have been developed by each workstream group. These are broken down by workstream area below, including additional outline estimates for savings delivered from improving transaction processes and reducing levels of middle management.

Service Area	Best Case (£'000)	Worst Case (£000)
ICT ²¹	(520)	(390)
Procurement	(120)	(90)
Finance and Payroll	(255)	(190)

²¹ The ICT proposal includes a £0.25m saving associated with developing a joint data centre with HC (utilising HCC spare capacity). This will be dependent on a clear commitment from Thames Valley Police (TVP)

Human Resource	(300)	(230)
Occ Health	(60)	(50)
Transactions	(445)	(150)
Middle Management	(200)	(100)
Net Position	(1,900)	(1,200)

Cost Benefit Apportionment

It is proposed that each organisation will receive an equitable percentage split of the costs, benefits and liabilities directly associated with joint working (as detailed in Appendix G). These percentage splits have been indicatively applied to the costs and savings of joint working as an illustration of the financial implications for each organisation. Occupational Health is currently shown separately, as the initial costs and savings of the joint working proposal will just relate to HC and HFRS.

Organisation	Split	One Off Set Up Costs / (savings) £'000		Annual Cashable Costs / (savings) £'000	
		Best Case	Worst Case	Best Case	Worst Case
HCC	73%	1,858	2,077	(1,424)	(635)
HC	22%	560	626	(429)	(191)
HFRS	5%	127	142	(97)	(44)
Sub Total (ex occ health)	100%	2,545	2,845	(1,950)	(870)
HC Occ Health	73%	84	99	(44)	(37)
HFRS Occ Health	27%	31	36	(16)	(13)
Overall Total (inc occ health)	100%	2,660	2,980	(2,010)	(920)

Additional Procurement Benefits

In addition to the financial benefits of joint working outlined below, the procurement workstream has identified a series of additional financial benefits that could be realised through joint working improving category management and influencing demand management. It is noted that HCC has already rolled out category management as part of its efficiency agenda, and therefore savings in this area have been prudently excluded from the business case.

Cost	HCC (£'000)	HC (£'000)	HFRS (£'000)
Category Management 3%-5% reduction on influencable spend	N/A	(730) – (1,220)	(50) – (80)
Demand Management and Standardisation	(190) – (380)	(60) – (170)	(20) – (70)
Net (Cost)/ Benefit	(190) – (380)	(790) – (1,390)	(70) – (150)

Summary for Each Organisation

As noted above, additional procurement savings, HR set up costs and programme management costs have been directly allocated to each organisation to reflect that each organisation will treat these costs differently (e.g. some will be absorbed as part of the reallocation of existing workloads, some will be funded through already identified reserves and others will need to be directly funded). These are summarised in the table below to identify the overall financial impact for each organisation with indicative payback periods based on the timings of expected cashflows.

Organisation	One Off Set Up Costs / (savings) £'000		Annual Cashable Costs / (savings) £'000		Return on Investment (Payback Period)
	Best Case	Worst Case	Best Case	Worst Case	
HCC – apportioned	1,858	2,077	(1,424)	(635)	
HCC – procurement	N/A	N/A	(380)	(190)	
HCC – programme management and HR professional resource	0	120	N/A	N/A	
HCC Total	1,858	2,197	(1,804)	(825)	2 – 3 years (4 – 6 years)
HC – apportioned	644	725	(473)	(228)	
HC – procurement	N/A	N/A	(1,390)	(790)	
HC – programme management and HR professional resource	150	200	N/A	N/A	
HC Total	794	925	(1,863)	(1,018)	0 – 1 years (2 – 4 years)
HFRS – apportioned	158	178	(113)	(57)	
HFRS – procurement	N/A	N/A	(150)	(70)	
HFRS – programme management and HR professional resource	235	380	N/A	N/A	
HFRS Total	393	558	(263)	(127)	2 – 5 years (4 – 7 years)

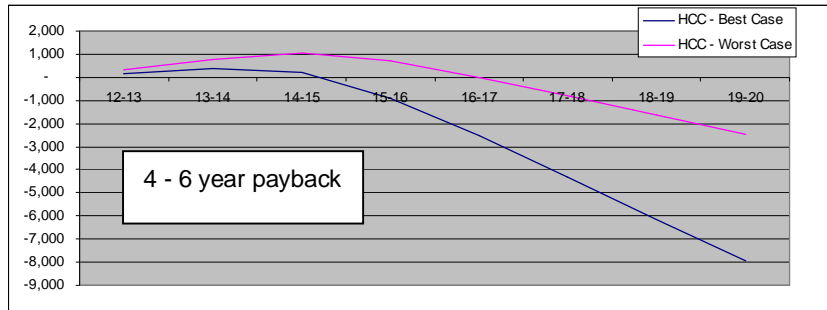
Phasing of Cashflows and Payback Period

The payback period is defined as the expected time for each organisation to breakeven against the one off set up costs based on the expected timings of cashflows.

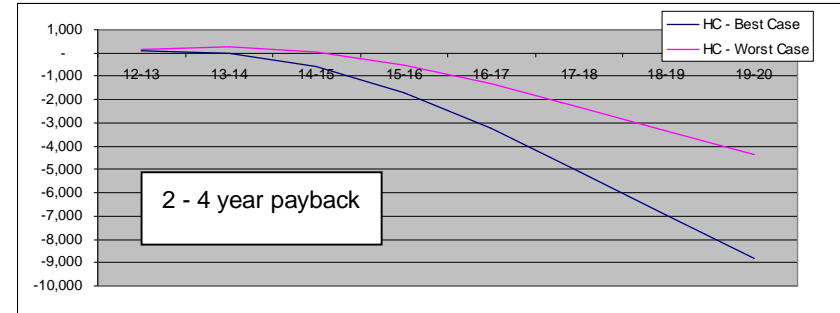
For example, it is noted that not all benefits would be realised immediately (e.g. procurement savings would be driven out over a number of years) and some of the set up costs would also be spread over a number a years (e.g. the redundancy provision would be utilised to match the timings of any staffing reductions).

The payback period has therefore been illustrated graphically below, to provide an indication to each organisation when the joint working programme would be expected to breakeven²².

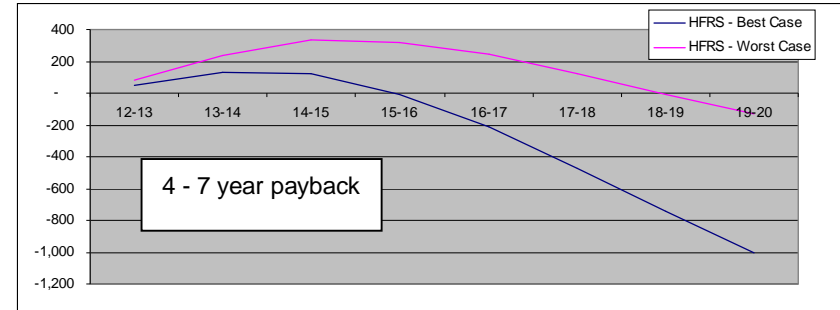
Graph 1 – HCC Payback Period



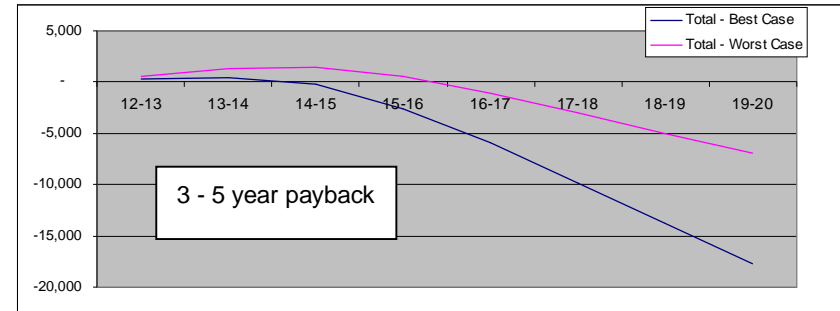
Graph 2 – HC Payback period



Graph 3 – HFRS Payback period



Graph 4 – Total Programme Payback Period



²² Please note that the scales of the graphs are different to enable a “summary on a page”.

Appendix I – Strategic Risks

Strategic Risks

A programme of this scale and complexity will inevitably create a number of strategic risks which need to be considered and managed. The strategic risks of joint working are summarised as follows. Each risk has been given a score using standard risk assessment methodology of 1-10=low, 11-15= Medium and 16-25=High and set against the achievability factors which are fully explained on pages 28 & 29. The achievability headings are;

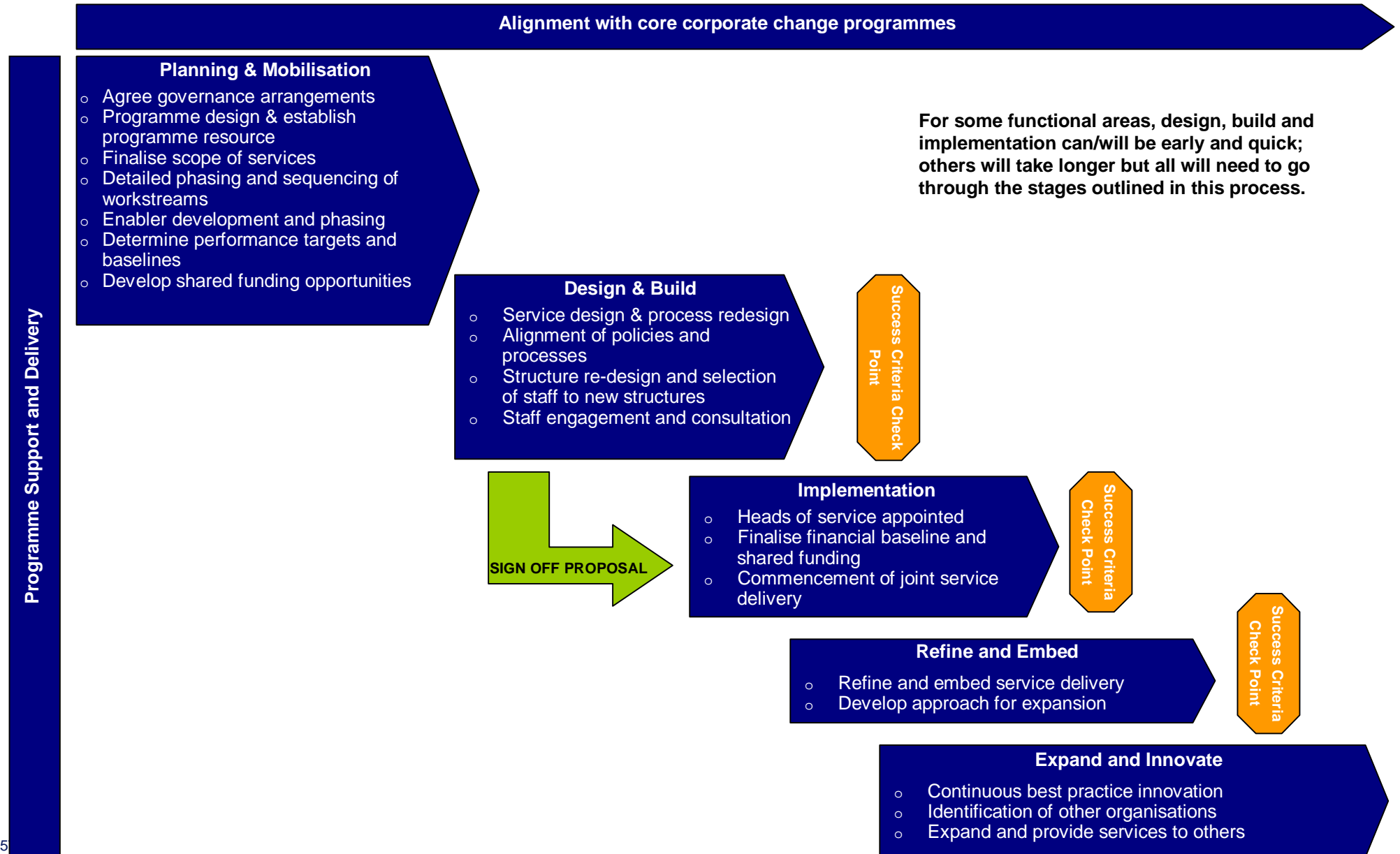
1. Executive sponsorship and commitment
2. Clear long term vision
3. Early identification of an accountable programme lead
4. Appointment of a dedicated programme team to deliver the proposed joint working model
5. Detailed design phase
6. Specialist legal advice
7. Commercial expertise
8. Staff engagement and positive relationship with staff associations
9. Stakeholder engagement
10. Realistic timescales

Risk	Likelihood (1-5)	Impact (1-5)	Score (LxI)
<p>Business Processes</p> <p>1. A risk that the business processes which underpin all of the ‘in scope’ areas across the three organisations have not been fully explored or understood. This may result in an inability to realise the anticipated benefits of joint working, as set out against the success criteria, namely;</p> <p>‘Efficiency and cost reductions’- the anticipated benefits are smaller and/or delivered later than first anticipated. This may impact on each organisations efficiency planning processes.</p> <p>‘Service performance and quality’- there is a negative impact on both the quality and performance of the service/s delivered.</p> <p>‘Resilience and future capacity’- we do not share resources as first intended with valuable skills being diluted or spread too thinly.</p>	3	5	<p>15 MEDIUM <i>(linked to achievability factors 1-8)</i></p>
<p>Organisational Culture and Relationships</p> <p>1. A risk that lack of senior leadership ‘buy in’ and support results in an inability to transform or adapt organisational cultures.</p>	3	5	<p>15 MEDIUM <i>(linked to achievability factors 1-5, & 8)</i></p>
<p>2. A risk that there is a lack of senior leadership willingness to compromise in order to adopt the new model of joint working.</p>	3	5	<p>15 MEDIUM <i>(linked to achievability factors 1-5)</i></p>
<p>3. A risk that differences in management culture and fit are more substantial than initially anticipated which may cause delays in the realisation of</p>	3	4	<p>12 MEDIUM</p>

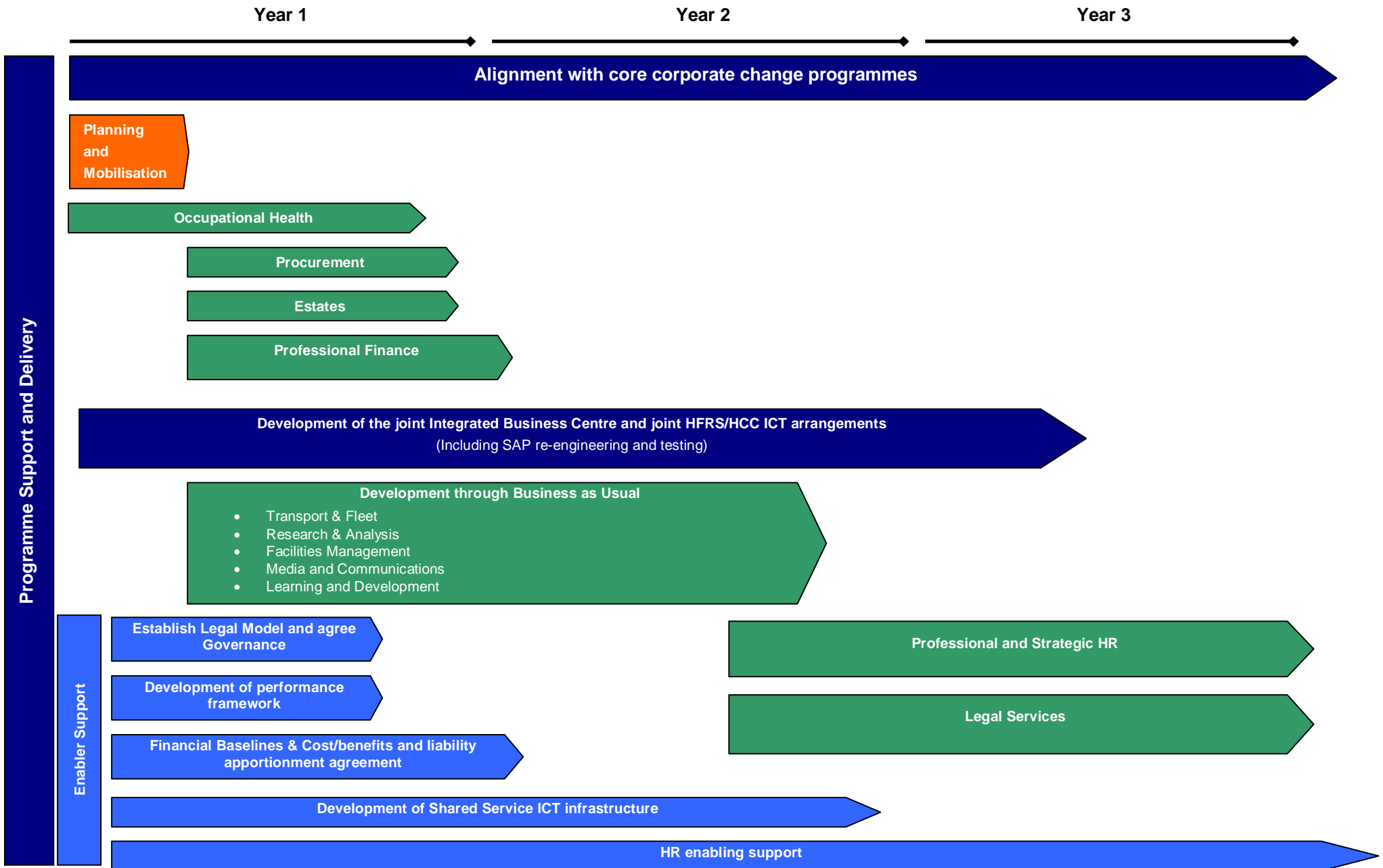
benefits.			(linked to achievability factors 1-5)
4. A risk that poor engagement with staff results in a lack of understanding of what we are seeking to achieve.	2	3	6 LOW (linked to achievability factors 1-5, 8 & 9)
Human Resources			
1. A risk that the potential loss of staff, expertise and skills through reorganisation to other organisations and/or through reorganisation as a result of dissatisfaction, unwillingness or inability to change during any agreed detailed planning or implementation phase.	2	3	6 LOW (linked to achievability factors 1-4 & 8)
2. A risk that the impact of the redistribution of skills and experience during any transition period has a negative impact on business as usual for each organisation.	2	3	6 LOW (linked to achievability factors 1-5 & 8)
3. A risk that organisations do not commit sufficient resources to the detailed implementation phase which may result in an inability to realise the benefits of joint working, the benefits are smaller and/or delivered later than first anticipated. This may impact on each organisations efficiency predictions and planning processes.	3	4	12 MEDIUM (linked to achievability factors 1-5 & 8)
Understanding of Joint Working enabling costs			
1. A risk that some or all of the predicted enabling costs for Joint Working (HR, ICT, Legal and Estates) have been underestimated.	3	4	12 MEDIUM (linked to achievability factors 1,4,6)
Current and Emerging National Strategies/Policies			
1. A risk that the opportunities and benefits of Joint Working are constrained by new or existing policies and legislation; in particular there remains	3	4	12 MEDIUM

<p>uncertainty surrounding the introduction of the Policing and Crime Commissioners in November 2012.</p>			<p><i>(linked to achievability factors 1,2,3,4, 6 & 9)</i></p>
<p>2. A risk that Joint working across public sector organisations may lead to a disconnect between some partners and opportunities provided through service specific national or regional framework agreements.</p> <p>3. A risk that, although the strategic case is evidenced and supported, the strategic objectives of the organisations may diverge over time as a result of local, regional or national influences.</p>	<p>2</p>	<p>3</p>	<p>6 LOW <i>(linked to achievability factors 1,2,3,4, 6 & 9)</i></p>
<p>Organisational Brand</p> <p>1. A risk that each organisation loses their professional distinctiveness and independence across the in scope areas and staff feel disconnected from their organisations.</p> <p>2. A risk that the governance arrangements fail to ensure an equal share for each organisation in the decision making direction and accountability for the joint working arrangements.</p>	<p>2</p>	<p>3</p>	<p>6 LOW <i>(linked to achievability factors 1 – 8)</i></p>

Appendix J – Outline Implementation Process



Outline Implementation Plan



Appendix K – Staff engagement

During this programme of work, engagement of staff and managers in the three organisations has been carried out to provide an awareness of the scope and direction of the work. A Communications Strategy and Action Plan were established and this has delivered briefings to staff, project updates, from the Programme Delivery Board and messages from the three Chief's as key points in the project have been reached.

The final proposals from each workstream were completed and presented back to the Chief Constable, Chief Fire Officer and Chief Executive of HCC in early February. This has enabled a period of staff engagement to be put in (20 February to 30 March) to allow people to consider the proposals in their particular area. An online feedback mechanism has enabled the Programme Delivery Board to receive suggestions, comments and risks associated with the proposals.

Considering the specific feedback received, and the discussions that have taken place during the development phase of the programme, the main issues being raised are:

- Concerns of current and future employment status/terms and conditions of service.
- Impacts on quality of services currently delivered/will services be improved?
- Will the predicted efficiencies be delivered?
- How/when will the proposals be implemented?

The engagement and feedback from staff has proved extremely useful in terms of raising awareness within the Programme Delivery Board. These issues will need to be considered and addressed within the detailed design phase of the project and the answers will be identified as the programme of work is developed.

Future engagement and formal consultation

The Programme Delivery Board recognise the value and importance of engaging staff in this programme of work. If support is received from the three Authorities, the Communications Action Plan will be developed further to ensure full engagement of staff in the detailed design phase of the programme and in the overall direction of the work. Where formal proposals are developed to change peoples working arrangements, terms and conditions of service etc, any affected staff and their representative bodies will be consulted with in line with their statutory rights.

Appendix L – Deloitte Statement

Deloitte was commissioned by Hampshire County Council, Hampshire Constabulary and Hampshire Fire and Rescue Service to provide independent challenge and scrutiny of the options being considered by the three organisations in the production of the Joint Working in Hampshire Strategic Integrated Business Case. Deloitte has contributed to proposal review / challenge meetings for the Workstreams, Blueprints and Enablers, provided input to meetings with the three Chiefs and reviewed the Strategic Integrated Business Case including the expected costs and benefits. This independent challenge and scrutiny has been provided in an iterative manner, helping to shape and strengthen the proposals as they have been developed.

At the final stage of this work, we were asked to provide a summary statement regarding the joint working programme and emerging options.

The first thing we would like to say is that the three organisations should be congratulated on the progress that has been made to date. Staff at all levels have clearly worked together in a very effective and professional manner, moving the programme forward significantly and developing strong relationships; this bodes well for the future.

The joint working programme is supported by a comprehensive set of enablers which Deloitte have reviewed and contributed through during the course of our commission. The programme is ambitious both in terms of the breadth of scope and the fact that it involves organisations from different parts of the public sector. This provides the potential for a platform for corporate services in Hampshire that is genuinely different from that seen in any other geographical region or any other part of the public sector, and one which can potentially be expanded to include a wider range of partners and customers as it develops and innovates.

From the work undertaken so far and the proposals and estimated benefits included in the Strategic Integrated Business Case, it is our view that there are sufficient grounds to move the programme to the next stage of development. However, there are some important points for the three organisations to consider, including what that next stage of development should look like:

1. Finding a middle ground between ‘rushing to get on with it’ and ‘paralysis by analysis’

- Our recommendation is to not over-commit; we note that the next stage is a design stage, followed by a gateway review prior to approval to proceed with an implementation stage. We recognise that consideration is being given to a number of potential ‘Quick Wins’ (for example, several of the Blueprint options are low cost and low-risk), and support the suggest approach that these are approved through the gateway process separately before full implementation commences.
- Qualitative and quantitative costs & benefits, and the performance baseline, will require further development so that they can be tracked throughout the programme, and we note that further work is planned in these areas to inform the gateway review process prior to approval of full investment and implementation. The figures in the current financial analysis are developed to a sufficient degree for the purposes of a strategic business case and provide a good platform for the further planned analysis. Typical payback periods for this type of programme are 3 to 5 years.

2. Sequencing

- The latest draft of the report includes a high-level indication of how service areas and levels of joint working (transaction-professional-strategic) might be sequenced, and states that this will be reviewed and updated at the next stage – this is a sensible approach and we would expect to see the

sequencing plans develop into a detailed programme plan. In our experience many organisations focus on joining together transactional services first, tackling professional and strategic areas later once momentum, trust and confidence has been developed.

- The transactions centre referred to in the Strategic Integrated Business Case will form a centrepiece of the joint working programme. During the design phase the joint working team should liaise with HCC to align the joint working design plans with HCC's implementation of its Integrated Business Centre (IBC).
- The Individual Blueprint Proposals represent a comprehensive and sensible package of additional joint working functions. The Blueprint document correctly identifies that the proposals will be dependent on the enabling workstreams. Enabling workstream resources will need to be effectively managed through the detailed programme plan to ensure that design and implementation of both the strategic case and blueprint proposals are appropriately resourced and sequenced, particularly given that primary focus will be on the strategic case.

3. The nature and ongoing development of the vehicle

- The recommendation to set up an unincorporated partnership which could then potentially be developed into / be used to establish a trading company appears sound at this juncture
- More thought will need to be given as to how the unincorporated partnership can achieve the necessary level of commerciality to attract new partners and customers and ensure the services keep pace with leading edge best practice.
- We believe involving the private sector – both in the early stages of design and implementation and once the partnership is established – will bring commercial benefits.

4. 'Who will do what?' questions need to be carefully considered & answered

- Our experience is that joint working programmes will only have a decent chance of success if there has been a very honest assessment of these types of question. This requires the partners to decide where they want to be on the spectrum between total collaboration in all areas and at all levels on the one hand and a more cost effective and streamlined operation on the other. Joint working programmes with a wide scope in terms of what is shared (i.e. both functionally and in terms of responsibilities) are potentially more expensive and slower at making decisions, whereas joint working programmes that have given more thought to who leads in each area and how the definition of joint working can vary in different areas can often be less expensive and more responsive, whilst still meeting the overall objectives of the programme. Examples of important 'who will do what?' questions are:
 - Will / should the design and implementation be done jointly?
 - Will / should the end product be both owned and run jointly?
 - Is joint strategic leadership the right answer for all partners?

5. Location and branding

- The joint working entity will need a separate identity and a new culture which looks and feels professional and also commercial in some areas, particularly the transactions centre. The programme delivery team should be mindful of the influence that physical location and branding can have on the culture of the joint working entity.

Appendix M – Legal Counsel Opinion

Given the complexity of some of the legal issues outlined in the report, Legal Counsel opinion has been sought in relation to a number of specific areas. Two pieces of Legal Counsel advice have been received dated 13/01/2012 and 21/03/2012 which have guided the proposals outlined in the strategic integrated business case and supported the work of the Legal enabler. The Legal Counsel opinion is summarised below:

- The unincorporated contractual partnership is unlikely to cause legal difficulties and most fulfils the tasks that have been identified;
- The proposed unincorporated contractual partnership model is within the legal powers of each of the partners;
- The procurement regime is not engaged i.e. there is no need to comply with procurement rules in establishing the unincorporated contractual partnership;
- There is no requirement or additional benefit derived from establishing a Teckal company;
- There is no requirement at this stage to form a trading company to achieve what is being proposed;
- The partners can share the one Chief Finance Officer, subject to that officer meeting the professional standing requirements of S.113 LGFA 1988;
- Legal services and all aspects of support to the Chief Constable can be brought within shared legal services, with any conflict of interest managed in accordance with the governance arrangements that has been proposed;
- The host employer model is likely to lead to a TUPE transfer.