

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

28 OCTOBER 2010

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Corporate Management and Finance – Lead Cabinet Member – Councillor Laing

COMPREHENSIVE SPENDING REVIEW 20 OCTOBER 2010

1. Summary

This report provides information on the content of the Comprehensive Spending Review and its potential impact on the Council. It also suggests a change to the Efficiency Improvement and Transformation programme and methodology, to allow Stockton Council to maintain its planned and managed approach to the Medium Term Financial Plan.

2. Recommendations

1. Members note the content of the Comprehensive Spending Review.
2. Members note the changes to the Efficiency, Improvement and Transformation Programme.
3. Members approve the suggested Xentrall Business Case.

3. Reasons for the Recommendations (Decision/s)

To update Members on the outcome of the Comprehensive Spending Review, and a change in approach to the Value For Money Programme.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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SUMMARY

This report provides information on the content of the Comprehensive Spending Review and its potential impact on the Council. It also suggests a change to the Efficiency Improvement and Transformation programme and methodology, to allow Stockton Council to maintain its planned and managed approach to the Medium Term Financial Plan.

RECOMMENDATIONS

1. Members note the content of the Comprehensive Spending Review.
2. Members note the changes to the Efficiency, Improvement and Transformation Programme.
3. Members approve the suggested Xentrall Business Case.

DETAIL

1. The Comprehensive Spending Review (CSR) was announced on 20 October 2010. As is usually the case with national budget announcements, not all the detail is available at present. The Government did say that all departments would be producing business plans in November it is expected that this will give more detail on how the proposals from CSR will be implemented in practice. For local government the provisional grant settlement that usually occurs in late November, or early December, will also be a key event.
2. From the headline information that was presented for local government the actual position is a little uncertain. The initial announcement said there would be reductions of 7.1% a year for 4 years, giving the impression there would be even phasing and a total reduction of 28.4% in real terms. However when the official papers were made available by the Treasury they stated funding to councils would decrease by around 26% over the next 4 years. The next day the Institute for Fiscal Studies produced a figure of 26.8% and this seems to be the figure gathering general acceptance. The real terms figure includes an allowance for inflation, although as yet no official figure has been given for this element of the total.
3. It is important for authorities to understand the cash impact of the changes, as that is the actual sum of money that will be lost. The picture on this is a little clearer although some uncertainty still remains in this element also. The papers from the Treasury include a spending profile for Formula Grant spending starting from a baseline position of 2010/11. The baseline position is one of those uncertainties. There is not an analysis of how it has been calculated. Officers from Stockton have had discussions with officials from the Communities and Local Government Department. Based upon these we have a hypothesis as to how the figure has been derived and are currently trying to get this confirmed. The phasing of the reductions is anything but

even, with a considerable front-loading in 2011/12, and a very small reduction in 2013/14. This would seem to suggest that some kind of adjustment has taken place in that year, but there is no detail to substantiate this in the documents available. The figures as they appear for Formula Grant are as follows:

	£bn	% decrease
2010/11	28.0	-
2011/12	25.0	10.7
2012/13	23.4	5.7
2013/14	23.2	0.7
2014/15	21.9	4.6
Total reduction	6.1	21.7

From the baseline position there has been a total cash reduction of £6.1 billion, equating to 21.7%. As mentioned above the reduction for 2013/14 does however look unusual in comparison to the other 3 years.

4. From our discussions with officials at CLG it is believed that the transfer of grants, both Specific and Area Based, has occurred and is built into the baseline position. Nationally this figure starts at £3.4 billion in 2010/11 and rises to £4.5 billion in 2014/15 mainly due to an extra £1 billion the Government are putting into Social Care. Our assessment of the baseline indicates the full amount has been transferred into Formula Grant in the first year. However as we know the basis for calculating Formula Grant shares does not work on the same basis as the other grant allocations. This means it is likely there will be some distortion in the amount we receive by this method compared to previous allocations. This could have an impact on whether the 21.7% is evenly applied to ourselves. If the increase in grant had not occurred the actual reduction for Formula Grant would have been 29.3%.
5. The spending review confirmed the Government's commitment to help fund a Council Tax increase freeze for 2011/12. If an Authority does freeze its increase it will receive funds to the equivalent of 2.5% increase. This will be provided in the form of a grant and will be guaranteed at that amount for the next four years. At Stockton we had built in an assumption this funding would be at the 2% level, so this announcement is slightly better than anticipated. From 2012/13 the increases in Council Tax will be guided by a set of principles issued from the Government. If a council chooses to set a budget based upon a higher Council Tax increase, it must conduct a public referendum to allow a vote on the options. Members may recall the consultation issued on this proposal in August this year.
6. Evaluating the impact of these changes on Stockton's core budget position requires a number of assumptions to be made. Firstly, that the national scale of reductions will be evenly distributed. Secondly, that the funding for other grants rolled into Formula Grant come back to the Council in the same proportions. Finally that the unusual reduction in 2013/14 is actually what is going to happen. All of these are unlikely but, in the absence of any other information, it is the only educated assessment we can make. If this was the case then the impact on the General Fund would be a reduction of £27 million over the next four years. This is in comparison to our prediction in June of £24 million. In the Medium Term Financial Plan up to 2012/13 we had built in reductions of £12 million. If the £27 million turns out to be an accurate assessment, we will require an additional £15 million in reductions by 2014/15. This would be without putting any additional funding into social care for the £1 billion increase that the Government said they would be making by 2014/15. We do not know the intended share of that money for Stockton.
7. Stockton has always taken a planned and managed approach to this situation in the past. This has resulted in producing £16 million of efficiencies since 2008. The in year cuts for 2010/11 of £3.3 million were managed at short notice. We have also been managing our workforce and this will continue. Since January 2010, 375 staff have left the Council, and although opportunities may have been lost, no cuts to front-line services were needed with only 54 being

replaced, mainly on temporary contracts. The reduction of the Specific Grants for Tees Valley Unlimited has meant a budget change from £7 million to £2 million and this has been managed with some tough choices made. The additional reductions of £15 million will undoubtedly also require some tough choices and that planned, managed approach that has served us so well to date, needs to be continued to allow those changes to be effected in the optimum manner.

8. It was mentioned in paragraph 4 that some grants have been moved into Formula Grant. For Stockton this is currently the equivalent of £7.6 million in Area Based Grant, the largest being Supporting People where we currently receive £3.5 million a year. The grant for Working Neighbourhoods Fund is stopping. We received £4.4 million in this grant for 2010/11. Stockton currently receives a further £7.4 million of Area Based Grant and there is no information on the future proposals of those grants at present. The largest elements in this area are School Development Grant £2.2 million and Connexions £2.1 million. The picture for Specific Grants is even less clear. £1.7 million is being rolled into Formula Grant, mainly for Social Care Reform £0.8 million, and Concessionary Fares £0.6 million. There is however a further £18 million of grants we currently receive where we do not have information on future proposals.
9. With regard to capital funding the review stated that the amount allocated to local government was anticipated to fall by an average of 45%. This amount will vary from department to department, CLG Communities anticipating a fall of 74%. Conversely it would appear that there is a small fall in the Transport budget but this includes £30 billion for major schemes, so unfortunately this will have a knock on effect to other transport grants. The review stated an intention to fund the building of 150,000 new affordable homes. It also will allocate £200 million in 2011/12 to allow Councils to capitalise the cost of restructures due to the reductions. One worrying development in capital was the raising of PWLB rates for borrowing to 1% over gilts. This will have an impact on schemes Stockton has already committed to, for example the Forum, and impact on the viability of any future schemes.
10. In addition to these changes there are changes in other departmental spending programmes that will impact on Stockton.

Education

- Dedicated Schools Grant will increase by 0.1% in real terms for the next four years.
- £2.5 billion to be provided for the new pupil premium.
- Sure Start to be protected in cash terms.
- DFE's non-school budget to reduce by 12% in real terms.
- Early Years Intervention Grant introduced, rising to £2 billion by 2014/15.
- Schools sport partnerships funding to stop from 2012/13. Administered by Northfield and the North Shore Trust Academy affects most schools.

Transport

- Grants to local authorities to be reduced by 28%.
 - Bus subsidy to be reduced by 20% to save £300 million by 2014/15.
 - Concessionary fares policy to be linked to pension age changes and reform reimbursement. Target saving of £180 million by 2012/13.
11. There are some specific impacts on Stockton that are emerging from the detail.
 - Tees Valley Bus Network to be funded.
 - Street Lighting PFI Scheme has been cancelled.
 - Playbuilder scheme capital allocation maintained £439,000, the revenue element of £13,000 was withdrawn in July.

- A change to the Carbon Reduction Scheme is estimated to cost Stockton in the region of £300,000.
12. After the presentation of the Emergency Budget in June it was clear that the focus of the spending review would in the main be on spending reductions. There are however some definite and some potential funding increases. There will be an additional £2 billion for Social Care. The Government will provide £1 billion of this (as mentioned in paragraph 4) and the other £1 billion will come from current NHS budgets to support joint working. There will also be an additional £200 million to accelerate reforms to Personalisation. Potential additional funding is available from the introduction of the two new schemes, the New Homes Bonus and Tax Incremental Funding. The bonus scheme is one where the Government will match the Council Tax yield of new homes built. Consultation on the details of how the scheme will operate will commence in November with an anticipated start date of April 2011. TIF is a scheme that allows councils to undertake borrowing in anticipation of future revenues to be generated by economic development. A white paper on how this is to be implemented is due to appear before the end of the year.
 13. It can be seen from this report there are still a lot of questions to be answered about the definite impact of some decisions made in the review. It was stated that all government departments would be issuing business plans in November and it is hoped these will bring greater clarity to many of the issues. The provisional settlement that traditionally arrives in late November/early December, will also bring more certainty. What is certain from the information we have so far is that the reductions in Formula Grant are front loaded for 2011/12, indicating a 10.7% reduction at the moment. It is therefore essential that in going into the 2011/12 budget Members are provided with as much information as possible as to how we will plan and implement those reductions. The next section of this report illustrates how we will undertake that revised approach.
 14. Given the success of the Value for Money programme, the increased ability to undertake EIT reviews and in light of the financial environment it is proposed that officer led task and finish groups are formed to expedite the delivery of some of the year 3 EIT reviews identified as potentially resulting in the realisation of substantial efficiencies for Stockton. It can be noted that the reviews are concentrated around back office / service reconfiguration issues.
 15. With this in mind the EIT framework has been tested by the Xentrall who have undertaken a pilot review which has proven the adaptability of the framework to an expedited approach. Details of this review are given later in this report.
 16. It is proposed that a secondary reporting in approach is adopted for task and finish reviews which will require the lead officer to consult with the agreed select committee at the commencement of the review detailing the area/s to be reviewed and the issues and opportunities that exist. Members will be asked at this stage using their local knowledge to inform the evidence gathering and evaluation stage which will form the options and recommendations that are presented back to committee at the next meeting. Executive Scrutiny will be involved through Chairs updates and final reports as is the case with all current reviews.
 17. The timescale for undertaking these reviews is driven by a need to take final reports in most cases to Cabinet in December, some may take slightly longer reporting to Cabinet in March. This work will support the next round of financial planning and the delivery of a positive communications strategy following the comprehensive spending review announcement and provisional settlement details. With this in mind it is proposed that some existing year two reviews are expedited to report in December and project plans have been amended to accommodate. Chairs and Lead officers have been consulted on the revised approach and are willing to undertake a shortened period of intense activity to meet the December deadline. **Appendix 1** details the revised timetable of reviews

18. Details of the task and finish reviews and proposed select committee involvement for your consideration and agreement are at **Appendix 2** together with the remaining reviews to be considered in year two / three at **Appendix 3**. The selection of those services for the Task and Finish Reviews has been on a number of criteria. A large majority are back office services and the impact of any changes on the public should be minimal. Other areas such as Adult Services or Highway Management and Transport are likely to be subject to changes in circumstances from government legislation or capital expenditure reductions and reviewing the service to allow adjustments to those changing circumstances appears appropriate.

Xentrall – Task and Finish Review

19. A review of Xentrall Shared Services has been brought forward from the Year 3 EIT programme and undertaken using a new Task and Finish approach. The main elements of the approach are to undertake a baseline review of the service then to review the service to identify savings and options for future service delivery.

20. The full report is set out in **Appendix 4**. Xentrall Shared Services has delivered its savings targets and delivered continuous performance improvements over the last two years. Benchmarking of the services shows that it is performing better than average on cost against those Councils taking part in the benchmarking exercise. The service now needs to focus on its ability to retain existing external income and develop additional sources of income where appropriate. The review also identified additional savings of approximately £400k per year for both Councils, which will be delivered from a restructure of the ICT service.

21. It is recommended that the partnership continues in its current form and continues to deliver the savings set out in the original business case, that it implements the additional savings identified from a restructure of the ICT service, and that additional opportunities to grow Xentrall are considered over the next two years

Financial and Legal Implications

22. This enhanced approach will allow us to strengthen our medium term financial position and be better placed to address the implications of the comprehensive spending review.

Low risk existing management systems are sufficient to control and reduce risk.

Sustainable Community Strategy

23. This report supports the Sustainable Community Strategy

Equality Impact Assessment

24. The report was not subject to an Equality Impact Assessment

Consultation

25. Executive Scrutiny and Cabinet will be consulted on the enhanced approach.

Julie Danks
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**EIT Reviews Meetings Programme
Year 2**

Committee / Topic					
	Committee Stage 3 & 4	Tri Partite	Report - final agreement	Exec Scrutiny	Cabinet
Regeneration & Transport Events, Arts & Tourism	08.11.10	TBC	31.01.11	08.03.11	17.03.11
Arts, Leisure & Culture Sports, Leisure and Recreation	18.10.10	TBC	10.11.10	30.11.10	16.12.10
CYP Youth Services	14.07.10 06.10.10	19.10.10	10.11.10	30.11.10	16.12.10
CASSI School Catering	14.09.10 26.10.10 07.12.10	16.12.10	18.01.11	08.02.11	17.03.11
Environment Built & Natural Environment	01.11.10	TBC	22.11.10	30.11.10	16.12.10
Health Fair Access to care	Consultation to take place 01.06.10 - 27.08.10 21.09.10 (mid review tripartie 01.10.10) 18.10.10	20.10.11	8.11.10	16.11.10	25.11.10
Gateway Reviews Housing & Community Safety					
Admin, Business Support, Customer Services and Perf Management	18.11.10				16.12.10
Reporting in - Executive Scrutiny					
Procurement / Commissioning Function	30.11.10				16.12.10
Building Asset Review	08.02.11				17.03.11
ICT Services	30.11.10				16.12.10

EIT Task and Finish Reviews

Committee	Topic	Committee Meeting Date	Cabinet Date
Health	Adult Services Structures	10.01.11 21.02.11	17.03.11
Regeneration & Transport	Highway Management	20.12.10 31.01.11	17.03.11
CASSI	Human Resources	26.10.10 07.12.10	16.12.10
	Taxation and Customer Service		
Arts, Leisure & Culture	Audit	03.11.10 24.11.10	16.12.10
	Risk Management		
	Finance Land & Property		
CYP	Connexions	15.12.10 26.01.10	17.02.11
Executive Scrutiny	Xentrall	19.10.10	28.10.10
	Democratic Services	30.11.10	16.12.10

Remaining EIT Review Topics for Year Two

Learning Disability & Mental Health

Children & Young People Assessment & Field Work

EIT Review Topics for Year Three

CFYA

Community safety & Security

Legal

Waste Management

Benefits

Registration & Bereavement

School Improvement

Housing

Regeneration



EIT Programme Xentrall Task and Finish Review 2010

October 2010

Version 1.0

1. Executive Summary

Xentrall Shared Services is being reviewed as part of Stockton's Efficiency, Improvement and Transformation programme. The review has been brought forward from April 2011 because of the emerging financial situation facing local government.

This review has been undertaken using a pilot Task and Finish approach so that it could be demonstrated that the review could be undertaken in a shortened timescale. The review therefore has concentrated specifically on **provision and configuration** and **options appraisal**. Following approval from Members, the next step will be to develop a detailed implementation plan.

Recommendations

1. ICT is restructured with a projected saving of £404k per year.
2. Transactional Finance and HR are restructured to take account of existing savings and be more responsive to future customer needs.
3. Design and Print continues to embed newly implemented changes.
4. Further work be undertaken to assess customer needs. This won't affect the options or the savings but it may impact on the way in which the service is delivered.
5. Three options were considered and Option 1 is the preferred option:
 - Option 1 – Capitalise on existing investment. This option builds on the original business case whereby more services could be put into the partnership and there is also an opportunity to expand the business by seeking additional income from other public sector bodies. Additional savings have also been identified as part of the review.
 - Option 2 – maximise savings. Greater savings could be made but this would mean reducing the level of service currently provided to both Councils. It would also mean that there would be little or no opportunity for expansion of the partnership in the future.
 - Option 3 – Alternative service provision. In this option, the services delivered by Xentrall would be outsourced to a third party provider.

2. Introduction

2.1 Background

In December 2005 approval was given for detailed work to be undertaken looking into the possibility of joint working between Stockton and Darlington Borough Councils.

The report concluded that benefits could be achieved by bringing together a number of services into a Shared Services Partnership, as follows:

- Transactional HR;
- Transactional Finance;
- Design and Print;
- Information and Communications Technology.

Following the development of a robust business case, in November 2007 both Councils gave the go ahead for the partnership to be established.

Xentrall Shared Services was established on 1st May 2008.

2.1.1 Xentrall Strategic Objectives:

Our overall strategic objectives are set out in the legal agreement and are:

- To jointly provide a range of corporate and transactional services to Darlington and Stockton Borough Councils;
- To secure efficiencies whilst retaining highest rated performance;
- Improve service capacity and resilience;
- To form a nucleus around which both Councils and future partners could align service delivery;
- To build capacity in partnership councils, securing intellectual capacity, recruitment and retention and sustainability;
- Act as an exemplar or prototype of collaborative working for the North East;
- To ensure that the partnership is both “future proof” and expandable.

2.1.2 Xentrall Business Development Phases

When Xentrall was established it was always envisaged that over the life of the partnership it would expand in one of two ways:

- Additional Stockton and Darlington services to come into the partnership
- New partners to join the partnership

2.2 Approach

The financial situation for local government has changed significantly in the last two years since Xentrall was established.

When first established there was a requirement to deliver savings of £7.4m. In 2009/10 additional savings of approximately 4% were identified as part of the budget planning process for that year. However there is now additional pressure on all services to ask fundamental questions:

- What does the service do?
- Why?

- Is doing it cost effectively?
- Can it be done differently?

To support the Stockton Efficiency, Improvement and Transformation Programme a Task and Finish methodology has been developed. This review was undertaken using the principles of this new approach.

Theme	Key Questions
Baseline	What service is being reviewed and how is it provided?
	What influences impact on the service?
	What resources does the service use?
	What does consultation tell us about the service?
Evaluation and Findings	Is the service needed, what is statutory, what level of service is needed?
	What options are there for changing the way the service is delivered?
	Benchmarking – how does the service perform, is it cost effective?
	What does inspection tell us?
	Who are the customers and what impact would the changes have on them?
	What is the likely demand for these services in the future?
Options Appraisal	How else could it be provided?
	What is the impact of stopping the service?

2.3 Baseline

2.3.1 Service Description

Transactional HR

Services	Number of Employees (FTE)	Cost of Service	Additional Resources / Buildings
<ul style="list-style-type: none"> • Payroll • Pensions support • Absence Management • Recruitment • Contracts • Support and development of the HR system (PSE) 	65	£1,802,701	Floor 5, Bayheath House Stockton

The Council's HR function is split into two areas, Transactional and Advisory. The Advisory element of the service remains within the two Councils. Xentrall and the two Advisory

services work closely together to develop the HR system and implement service improvements.

Transactional Finance

Services	Number of Employees (FTE)	Cost of Service	Additional Resources / Buildings
<ul style="list-style-type: none"> • Debtors • Creditors • Banking • Income support • Support and development of the Finance system (Agresso) 	44.6	£1,357,055	Floor 2, Bayheath House, Stockton

The Council's Finance function is split into two areas, Transactional and Accountancy / Procurement. The Accountancy and Procurement element of the service remains within the two Councils. As above, Xentrall and the two Councils work together in the development of the Finance system and service improvements.

ICT Service

Services	Number of Employees	Cost of Service	Additional Resources / Buildings
<ul style="list-style-type: none"> • ICT Strategy • Business Account Managers • Business Analysis • Project Management • ICT Service Desk • ICT Training • Systems Support • Systems Development • Web Development • Desktop Support • Server Support • Network Support • Member Support 	90	£3,865,524	The Studios, Lingfield Point, Darlington And Room, 16 Church Road, Stockton G01, Town Hall, Darlington

Design and Print

Services	Number of Employees	Cost of Service	Additional Resources / Buildings
<ul style="list-style-type: none"> • Design of leaflets / newsletters etc. • Printing • Copying • Print Finishing 	13	Surplus generated £305,151	Basement, Municipal Buildings, Stockton And G01, Town Hall, Darlington

2.3.2 Influences

The services are influenced by a number of internal and external drivers:

- Both Stockton and Darlington Councils have different priorities and it is important that we are able to respond to these.
- The economic situation in local government is changing constantly. The partnership was originally established to respond to the efficiency agenda. Now there is a need to drive even more savings from the partnership.
- As we have implemented new technology and improvements in service delivery there is a need to look at the resources we have and how they are used. This review will address this.
- Some of our customers are looking at alternative service delivery, for example schools. We need to be in a position to respond to this by retaining services wherever possible and finding alternative sources of income.
- Internally the demand for the Design and Print service is reducing. In response to this we have already restructured the service and are currently looking for external income.
- In the medium term there may be a reduced demand for our other services. Both Councils are reviewing their services with the aim of reducing costs. This will have a further impact on our services in about two year's time.

2.3.3 Consultation / Complaints / Compliments

Every year Xentrall has undertaken a customer satisfaction survey. The main findings are:

- The services are well regarded however,
- We need to improve our communications
- We need to work more closely with customers to understand their needs
- We need to be more responsive

In the last twelve months there has been only 1 complaint about the service. This has been resolved to the satisfaction of the customer and a full review of the complaint was undertaken by the service and an improvement plan was implemented.

There have been 155 compliments for the services in the last twelve months.

3. Service Evaluation and Findings

3.1 Xentrall Overall

Xentrall is still implementing the improvements needed to deliver the original business case as well as continuous improvements which are aimed at improving the efficiency of the service. The ongoing priorities are:

1. **Building and Strengthening Relationships**, across Xentrall and with Stockton and Darlington Councils, which includes ensuring that the organisations are meeting together regularly to agree the overall strategy for improvement.
2. **Continuous Improvement**, which includes reviewing all our process and including our customers in the process reviews.
3. **Automation of processes**, developing the Finance and HR systems to improve the service delivered to our customers and reduce overall staffing levels.

3.2 ICT Service

ICT has been in transition for just over two years. During this time, changes and improvements have been made in the way in which it operates, for example, implementing the IT Infrastructure Library best practice standard. A number of additional business cases have also been approved during this time, aimed at making greater savings and efficiencies within the ICT service and the wider Councils.

Implemented	Partially Implemented	Not Yet Implemented	Business Case to be developed
New computer room	ICT Service Desk – self service	Migration of computer equipment	Printer consolidation
Reverse auction PC procurement	ICT Service Desk – Asset Management	Server Consolidation (otherwise known as Virtualisation)	Review of desktop
Desktop licensing	Disaster Recovery		
ICT Service Desk			

In addition to the improvements and additional business cases outline above, ICT and Transactional Services identified further savings of approximately 4% as part of the 2010/11 budget process.

Following the implementation of these changes there is now an opportunity to restructure ICT and streamline the way it works. The new structure will reflect other service improvements which have been identified by the service.

Savings

The main savings have been identified by reducing management costs and making changes in the way the service is delivered, these changes are describe below.

Additional savings of approximately £400k have been identified by undertaking a restructure of the ICT service. With the additional savings proposed, this represent a 20% overall saving from ICT services as a result of establishing the partnership.

The cost of redundancy would need to be taken into consideration estimated to be £280k depending on which employees are selected for redundancy.

Benchmarking

The benchmarking service used is the Society of IT Managers. The figures are based on 2008/9 financial year and the report was made available in December 2009. 23 local authorities took part in the benchmarking exercise.

Acquisition cost of a workstation

	2009
Xentrall PC	£562
SOCITM average PC	£474

Following the recent procurement process undertaken by ICT, the cost of a PC has fallen by around £150. This means that we will be better than average in future years.

Number of ICT specialist per user

	2009
Xentrall	1:84
SOCITM average	1:49

Because of the Stockton / Darlington partnership, this figure demonstrates that we have the best ratio of support specialists per user for all those Councils who took part in the survey.

Improvements

There are four major areas for improvement in ICT which are addressed in the restructure. They are:

1. **Management Restructure** including:
 - a. Focus on delivery of projects
 - b. Focus on delivery of business as usual
 - c. Review of management to provide clearer assignment of resources and improved project control
 - d. Effective implementation of IT Infrastructure Library standards (clearer roles e.g. asset and configuration management)
2. **Review customer interface**
 - a. In line with management and project/business as usual reviews above.
 - b. More focus on projects.
3. **Project Management** in conjunction with restructure:
 - a. Using restructure to ensure resources are made available for delivery of major projects / improvement programmes and an associated review of procedures
4. **Service Desk** in conjunction with restructure:
 - a. Move to a technical 1st line / 2nd line support model
 - b. Improve use of management information so that Problem Management and Knowledge Management can be implemented

3.3 Transactional Finance

There are ongoing efficiencies in this service still to be realised. These will come from further development of the Agresso product (the Council's financial management system) and the implementation of additional modules which will increase the automation of processes.

Stockton and Darlington Councils are now on the same version of Agresso and are on the same database.

Savings

There are no additional savings in Transactional Finance, but there is a possible commercial opportunity to work with Agresso. It is too early to identify what (if any) additional income will be generated by this partnership.

Transactional Finance and HR, savings which still need to be made:

	2010/11	2011/12	2012/13
Budget	3,159,756	3,049,454	2,853,469
Saving		110,302	195,985

A further £306,287 is still required from this service area over the next two years. This represents a 22% saving from Finance and HR services as a result of establishing the partnership.

Benchmarking

The benchmarking service used is CIPFA. The figures are based on 2008/9 financial year and the report was made available in December 2009. 75 local authorities took part in the Creditors benchmarking service and 72 local authorities took part in the Debtors benchmarking service.

Cost per invoice (debtors):

	2008	2009
Xentrall	£5.51	£5.21
CIPFA average	£9.06	£9.36

Cost per invoice (creditors):

	2008	2009
Xentrall	£2.05	£1.85
CIPFA average	£2.30	£2.38

In both cases, the service is better than the average of the local authorities who took part.

Improvements

There are three areas which will deliver service improvement:

1. **Improved used of Agresso** – Agresso is not being utilised to its full potential across both Councils. This requires the Agresso team to work more closely with services in both Councils.
2. **Process Review** – processes have been reviewed and improved within Xentrall but to maximise the efficiencies it will be necessary to also review the processes within both Councils. Reviews of the procurement process are currently taking place in both Councils and these should also improve the efficiency of the service.
3. **New Systems** – both Stockton and Darlington Councils procure new ICT systems which require interfaces to Agresso. As more joint systems are procured this will reduce the impact of interface development and maintenance.

3.4 Transactional HR

There are ongoing efficiencies in this service still to be realised. These will come from further development of the PSE product (the Council's HR and payroll system) and the implementation of additional modules which will enable an element of Self Service for both managers and employees.

Stockton and Darlington Councils are now on the same version of PSE and are on the same database.

Savings

There are no additional savings in Transactional HR. However, the overwhelming view is that there is an opportunity to generate income especially from the Payroll function.

For savings still to be made, see 3.3 above.

Benchmarking

The benchmarking service used is CIPFA. The figures are based on 2008/9 financial year and the report was made available in December 2009. 59 local authorities took part in the Payroll benchmarking service.

Cost per payslip:

	2008	2009
Xentrall	£3.90	£3.77
CIPFA average	£4.14	£ 4.01

This shows that the services is better than average of the local authorities who took part in the benchmark.

Improvements

1. **Process Review** The main improvement to Transactional HR will come from reviewing the processes in each Council. For some aspects of the service, Xentrall delivers its services differently to the two Councils because they work in slightly different ways and sometimes have different HR policies. Some of this will be overcome as joint functionality is developed for the Self Service system.
2. **Management Restructure** There is an opportunity to review the structure in Transactional HR. The savings have already been included as part of previous budget reviews. The restructure will also improve the efficiency of the service.

3.5 Design and Print

Design and Print was reviewed earlier in the year and a new structure implemented in April 2010. This service is now settling down and dealing with the current demand, including the new arrangements with the Communications Team in Stockton. Darlington has recently asked all service managers to place all work through the unit and but it will take time to evaluate the impact of all these changes.

- Design and Print need to embed the newly implemented changes
- A review of the Darlington presence needs to be undertaken to maximise the resources
- Design and Print are targeted with a surplus of £305k, this income would be lost if we didn't provide the service

- All parts of the service are paying for themselves i.e. income generated is greater than salary costs
- Continue to market the service to attract external business

3.6 Xentrall Management Team

In addition to the management of Xentrall Shared Services, the management team are also involved in wider Council projects.

The management team have been working with both Councils reviewing a number of services, looking for other opportunities for partnership working. In these reviews, the management team is utilising its learning and expertise from setting up Xentrall.

3.7 Stockton and Darlington combined

It was always envisaged that additional savings and benefits would be delivered as a result of working in partnership.

Additional savings for the partnership have been made as a result of previous reviews in Stockton. These have contributed to the overall savings made by both Councils and are: Desktop Procurement, Marketing & Advertising, Staff Travel – which amount to £38k per year from this year, total £304k to end of original 10 years.

ICT has undertaken two major procurements during the last twelve months. A PC and laptop reverse auction resulted in savings of £310k per year. A review of desktop licensing provides a cost avoidance of £573k over six years.

Other non-financial benefits are delivered by the partnership such as sharing of best practice across the two Councils.

3.8 Financial Information

<u>Xentrall 10 Year Savings</u>	Gross Saving	Gross Saving as % of base	Net of new costs	Net Saving as % of base
Original Business Case	£11,392,419	-16%	£7,267,768	-10%
After Extra 4%	£12,885,075	-18%	£8,771,304	-12%
After New ICT Savings	£15,713,075	-22%	£11,319,304	-16%

New Savings Annual Impact Before Redundancy Cost

New ICT Savings	-£404,000	-6%
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New Savings Estimated Redundancy Cost

New ICT Savings	£280,000
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4. Options Appraisal

The EIT documentation provides for a number of options for future service delivery:

Option	Appropriate Y/N
In-house	N – currently a partnership
Strategic Service Delivery Partnership (used for large scale contractual partnerships)	N – not a large capital programme
Shared Services	Y – Already a shared service, could continue (see options 1 and 2)
Partnering Contract (collaborative arrangement with third part to discharge the third party partner's obligations under the contract)	N – not applicable
Framework Agreement (access to skills and capacity when not available in-house, call off agreement)	N – additional capacity not needed
Outsourcing	Y – service could be outsourced (see option 3)
Joint Venture Company	Y – if Xentrall was to expand, this option may be considered in the long term. However, this is not considered as an option at this time.
Concession or Franchise (exploit the revenues or cash flows from an asset)	Unsure – could this apply to the Computer Room?

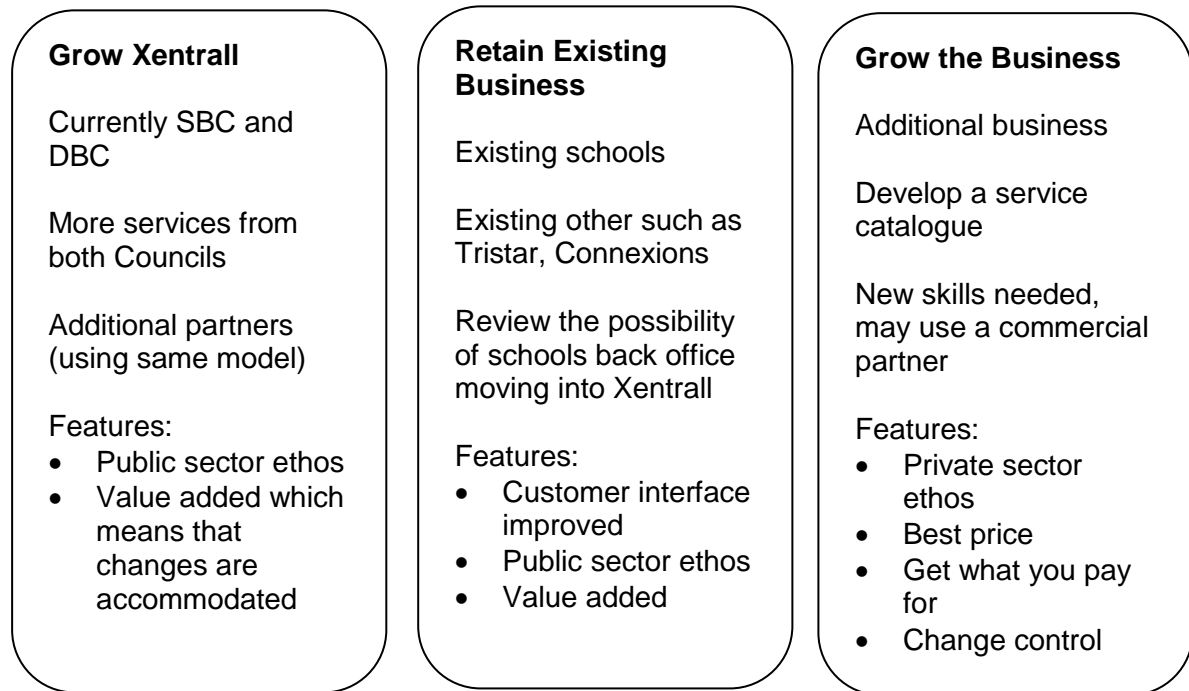
There are two other options which may be appropriate:

Option	Appropriate Y/N
In-Sourcing (Working with a third party to bring in additional skills / capability)	Y – if Xentrall was to develop a commercial model it would need additional skills it currently doesn't have (see option 1)
Community Interest (relatively new)	Y – Xentrall employees could run their own company. Too new to consider at this stage.

With all of the options it will be necessary to continue to be flexible in the delivery of services to Stockton and Darlington Councils. The options need to be able to respond to significant drop in demand.

4.1 Option 1 – Capitalise on Existing Investment

This option would see Xentrall growing and would develop a commercial capability in the medium term. The model is set out below:



With this model, Xentrall would grow and it would also start to change its focus. It would always continue to deliver services to Stockton and Darlington as it currently does, but would start to develop more commercial skills / capability.

For this model to work it may be necessary to invest some of the savings identified so that the additional capability can be developed. To ensure credibility with potential customers, it will be necessary to continue to pursue appropriate standards such as ISO27001, Customer Service Excellence, Investors in People.

Core skills in this option will be:

- Marketing / Sales
- Commercial awareness of the market
- Full understanding of product / services and cost (service catalogue)
- Business Process Improvement
- Programme and project management
- Change management

It is crucial that Stockton and Darlington retain their existing external income, such as schools, otherwise it would put an additional pressure on both Councils and on the Xentrall budgets.

Generating additional income is likely to be a medium term outcome.

4.2 Option 2 – maximise savings

Savings of up to approximately £400k have been identified as part of this review. These savings are likely to reduce the level of service in some areas but will not affect core business.

If there is no investment in Xentrall in the future and both councils decide they want to reduce their service levels it may be possible to make further savings, but any further reductions would reduce the capacity for Xentrall to develop in the future.

This option assumes that the partnership will remain, but not develop.

4.3 Option 3 – alternative service provision

The service could be outsourced.

This would mean moving to a completely commercial model. The service would need to be specified and a tender process undertaken. Because of the value of the contract it would fall under EU procurement regulations.

If the service is outsourced, the following should be taken into consideration:

- Keep Design and Print separate – different providers and the Councils may want to retain the service because of its current income levels
- It would be necessary to have an effective client function to manage the contract for performance, cost and change control
- Review the strategic function of ICT. It is unusual for the strategic ICT capability to be outsourced.

5. Conclusions and Recommendations

The partnership between Stockton and Darlington Councils has been successful over the last two years. It has delivered on its budget and savings targets and it has also delivered continuous performance improvements.

All services are benchmarked on an annual basis. The benchmarking has demonstrated that the cost of the service is reducing each year, and that the cost of service is better than the average of those local authorities who have taken part in the benchmarking service.

There has been a down turn in demand for Design and Print and has responded by restructuring the service and it is now seeking additional income from outside the Councils.

Developments in all areas have meant that there is a need to review the way the service is delivered. There is also a need to respond to the changing financial situation faced by local authorities.

The review has identified additional savings of approximately £400k per year which will increase the overall savings (over 10 years) for the partnership to £11.3m.

It is recommended that the partnership continues in its current form and continues to deliver the savings set out in the original business case, that it implements the additional savings identified from a restructure of the ICT service, and that additional opportunities to grow Xentrall are considered over the next two years.