

**AGENDA ITEM**

**REPORT TO CABINET**

**12 JUNE 2014**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**CABINET DECISION**

**Corporate Management and Finance – Lead Cabinet Member – Councillor Harrington**

**XENTRALL ANNUAL REPORT 2013 – 2014**

1. Summary

Xentrall Shared Services, the Stockton and Darlington partnership, was established in May 2008 and is now six years through the original ten year partnership agreement. The original business case identified a number of efficiencies and benefits to be delivered resulting in initial savings of £7.4m over the original ten year period. It has delivered all of these plus additional efficiencies and benefits and is now on target to make £13.6m savings over the same ten year period.

2. Recommendation

It is recommended that the success of the partnership in identifying efficiencies leading to £13.6m over the ten years of the partnership thereby contributing to the protection of front line services, be noted.

3. Reasons for the Recommendation/Decision

To allow Members to receive information about the progress of the partnership.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, 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 and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

### **Disclosable Pecuniary Interests**

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

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**SUMMARY**

Xentrall Shared Services, the Stockton and Darlington partnership, was established in May 2008 and is now six years through the original ten year partnership agreement. The original business case identified a number of efficiencies and benefits to be delivered resulting in initial savings of £7.4m over the original ten year period. It has delivered all of these plus additional efficiencies and benefits and is now on target to make £13.6m savings over the same ten year period.

**RECOMMENDATION**

It is recommended that the success of the partnership in identifying efficiencies leading to £13.6m of savings over the ten years of the partnership thereby contributing to the protection of front line services, be noted.

**DETAIL**

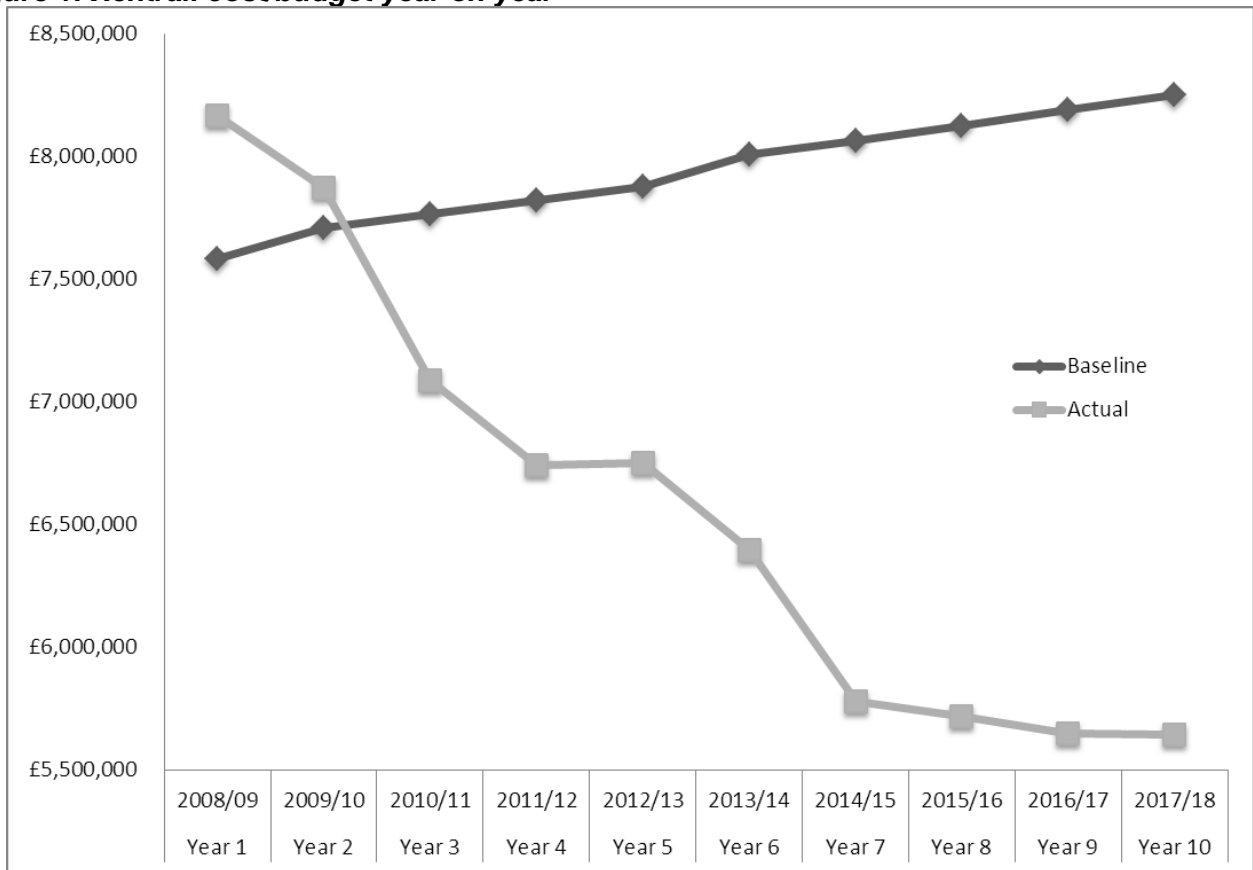
1. Xentrall Shared Services, the Stockton and Darlington partnership, was established in May 2008 and is now six years through the original ten year partnership agreement. The original business case identified a number of efficiencies and benefits to be delivered resulting in initial savings of £7.4m over the original ten year period. It has delivered all of these plus additional efficiencies and benefits and is now on target to make £13.6m savings over the same ten year period.
2. Xentrall's vision is to:
  - a. continue to improve our services
  - b. create value for Stockton and Darlington
  - c. tactically grow the business
3. The aim of this vision is to continue to identify efficiency savings in Xentrall and the two Councils; ensure that systems and business processes are securely and effectively utilised; and deliver additional income wherever possible.

**Continue To Improve Our Services**

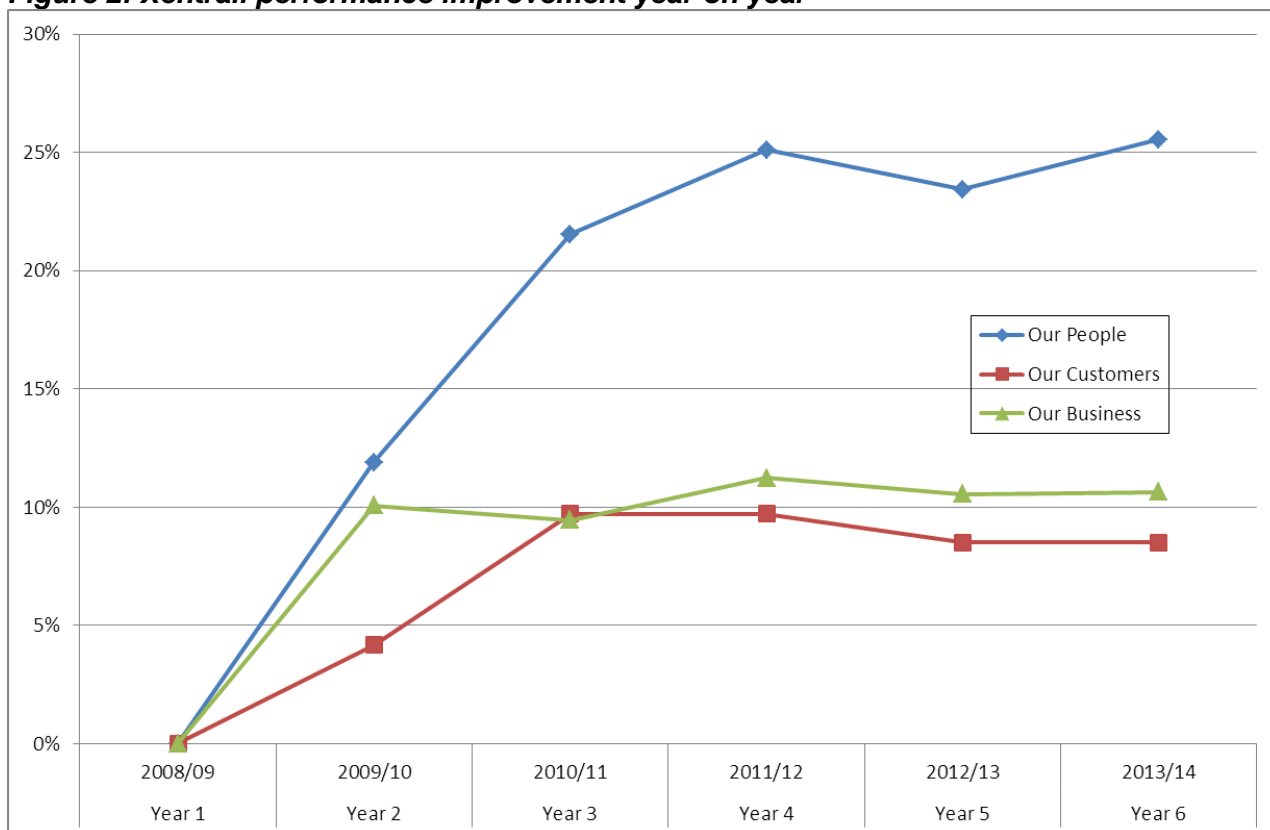
4. Our culture and the means by which we measure our success is encapsulated in four inter-related categories:
  - a. **Our Resources** – the main measure of success will be in ensuring we meet our budget and savings targets as well as continuing to represent value for money
  - b. **Our Business** – measures how well we deliver our services with emphasis on efficiency and effectiveness

- c. **Our People** – measures the satisfaction of our employees and recognises that staff satisfaction should lead to service improvement
  - d. **Our Customers** – measures our customers’ satisfaction with the services they receive.
5. The main measure of success for Our Resources is in meeting our budget and savings targets. The Xentrall year on year cost is shown in Figure 1. ‘Baseline’ represents the real terms budget for the Xentrall services as they would have been in both Councils had Xentrall never existed. ‘Actual’ is the real terms cost of the Xentrall services as reflected in outturn for those years past and the real terms budget in the forward-looking medium term financial plan. The cumulative difference between Baseline and Actual equates to the total £13.6m savings over the ten year period from 2008 to 2018, 6 years of which have already been realised.
6. The Xentrall year on year performance improvement for the Our Business, Our People and Our Customers categories is shown in Figure 2. Using the inaugural year, 2008/09, as the baseline, the cumulative performance improvement from the baseline is shown for each category. The Our People line measures overall employee satisfaction and sickness absence whilst Our Customers measures overall customer satisfaction. The Our Business line covers a basket of indicators representing all of the Xentrall services. This therefore shows that the savings have been achieved as well as sustained service improvement.

**Figure 1: Xentrall cost/budget year on year**



**Figure 2: Xentrall performance improvement year on year**



**Continue To Improve Our Services: Our Resources**

7. The financial situation in both Councils has changed significantly since the original business case. The original savings agreed by Members in November 2007 was £7.4m. Subsequent reviews of all services in 2010 increased the projected savings to £9.2m. Further service reviews of Xentrall Management Team, ICT, Transactional Finance and Transactional HR in 2013 have increased the projected savings again to £13.6m. The £13.6m projected savings are now almost double the original £7.4m.
8. The additional savings arising from the service reviews undertaken in 2013 reflects an average of about £1m in additional annual savings to be delivered in the final four years of the original ten year period. The additional savings are mainly as a result of reductions in staff numbers which are approximately 40% less than when Xentrall started in 2008.
9. Overall Xentrall has delivered an additional one-off budget saving of £380,000 in 2013/14 due to freezing vacant posts in anticipation of the service reviews. This saving has been used to offset the cost of redundancies arising from the service reviews.
10. The Creditors, Debtors and Payroll services are benchmarked for quality of service and overall cost of the service, using the CIPFA benchmarking service. The unit cost for all of these services has reduced every year and value for money continues to be a focus for Xentrall.
11. ICT services are benchmarked every two years using SOCITM benchmarking service as well as participating in Darlington’s annual CIPFA survey. Overall, ICT performance is good with upper quartile and above median scores. Lower scoring areas reflect some ageing infrastructure which has been replaced since the benchmark exercise, or have subsequently been subject to service improvements and restructure.

12. Design & Print also undertake a price comparison benchmarking exercise against local and regional suppliers. Again, this showed a good performance by comparison with others providing similar print services.
13. There has been a recent loss of income to the ICT service. Vela Homes has now merged with Fabrick and become the Thirteen Group. As a lead up to this a number of services have been taken in-house by Thirteen and the Xentrall provision has reduced. Also, the charges to the Tees Valley-wide Connexions service have reduced to reflect a review of service provision in this area.
14. Design and Print, which has shown an income shortfall in previous years, has exceeded its income targets in the past year.
15. An extension to the software and services agreement for the PSE HR and Payroll system has been negotiated during the year. The agreement has been extended to 30th November 2018 with reduced annual support charges payable from 1st April 2015. Negotiations with Northgate Arinso, the software provider, concluded to both Councils satisfaction saving a total of £170k in annual service charge payments over a 3 years and 8 months period from 1st April 2015.

### **Continue To Improve Our Services: Our Business**

16. Xentrall provides HR/Payroll and Finance services to academies. The number of academy customers has increased to 40 and all existing customers have renewed their contracts for a further year.
17. Self service improvements continue. Roll out of self service via HRonline for absence reporting has resulted in improvements in the quality and timeliness of absence information for managers. Implementation of self-service budget management via the Agresso finance system has been implemented in Darlington in line with customer requirements.
18. A number of changes to systems and business processes have been implemented in response to changes in national legislation. This includes workplace pensions, the local government pension scheme and the requirements of Her Majesty's Revenue & Customs (HMRC) for Pay As You Earn (PAYE) income tax.
19. Software upgrades have been completed for the income management systems in Darlington and Stockton and the system used to process payments via the Bank Automated Clearing System (Bacs).
20. ICT has successfully retained ISO Information Security and Quality Management certifications from BSI.
21. The two old computer rooms at both Darlington and Stockton were finally closed down and handed back to the landlord function for new use. This required a complex move of the network cores at both sites.
22. The networks within Darlington buildings have been successfully renewed and support the refurbishment of accommodation. A review of the wide area networks in both Councils has taken place.
23. The backup architecture has been re-architected which has improved backup performance considerably, thereby reducing the pressure of the overnight backup window for the 600 or so servers.

24. The printer consolidation project was completed successfully with shared networked MFDs (Multi-Function Printing Devices) being rolled out across both Councils and standalone individual printers being scrapped. This has resulted both in delivering savings and improved printing services for many users e.g. colour, A3, scanning.
25. Both Stockton & Darlington have been certified to the Government's PSN (Public Services Network) framework and form part of this wider national public sector network.
26. Bring Your Own Device has been launched in both Councils, with a more flexible corporate smartphone service at Stockton.
27. Stockton's ICT Strategy has been refreshed for the coming three years (Darlington being drafted).
28. The Desktop Rollout project has been running throughout the year, initially with unseen and considerable improvements in the supporting core architecture e.g. email system, before the more visible desktop replacement programme got underway. This very large project is progressing well and will complete in the summer.
29. In addition to the above, over sixty service-focussed ICT projects have been successfully completed during the period, plus the on-going customer support provided by the ICT Service Desk and supporting teams.
30. Design & Print continue to work with both Councils consolidated Communications Teams in supporting services with major campaigns as well as their day to day design and printing needs. The team also provided the technical support to NEPO to allow them to set up a regional framework for stationary, which will provide savings to all North East Councils.

#### **Continue To Improve Our Services: Our People**

31. Xentrall undertook a staff survey in September 2012 and 89% of employees responded to the survey.
32. Net employee satisfaction is 77%. This is in line with previous years, which is a good outcome considering the amount of change all the services have been through recently and the continued uncertainty due to the need to make further savings. Satisfaction with learning and development opportunities was also 77% which is an improvement on the previous survey.
33. However there is no room for complacency and each of the service areas have developed plans to tackle areas which were raised as concerns.

#### **Continue To Improve Our Services: Our Customers**

34. A customer satisfaction survey was undertaken across both Stockton and Darlington customers in March and April 2013. The overall satisfaction for Xentrall services was 80% in Stockton and 76% in Darlington.
35. Xentrall was assessed in May 2013 along with the rest of Stockton Council for Customer Service Excellence and this award was retained.

#### **Create Value For Stockton And Darlington**

36. A key additional benefit for both Councils in having Xentrall is the ability, through additional capacity and capability, of doing more than either Council could have done by itself. A number of key milestones and additional benefits have been delivered since 2008:
- a. 2009: Implemented Agresso financial management system together with a centralised creditors function in Darlington saving software licence costs and improving the efficiency of business processes
  - b. 2009: Merged the separate PSE HR and Payroll systems into one for both Councils sharing common hardware and software platforms and saving software licence, hardware and future development costs
  - c. 2010: A new computer room built in Darlington to serve both Councils improving resilience and, when combined with the virtualisation of computer servers, contributes significantly to the Councils carbon reduction plans
  - d. 2011: Merged the separate Agresso financial management systems into one for both Councils sharing common hardware and software platforms and saving software licence, hardware and future development costs
  - e. 2011: Two major procurements: 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
  - f. 2011: Implemented combined service desk system serving both Councils leading to improvements in customer service and in the management information available
  - g. 2012: Aggregated software licences for both Councils and renegotiated contracts; avoided increased costs of £215k over 5 years for desktop virus protection and £248k over 5 years for web and email filtering
  - h. 2012: New disaster recover suite built in Stockton to provide additional resilience to the ICT service in both Councils, this delivers off-site back up facilities for the Darlington computer room
  - i. 2011-13: Self-service improvements covering ICT service desk, Agresso financial management system, payment of car mileage and access to employee information via HRonline have led to improved business processes and improved customer satisfaction
  - j. 2013: Network and telephony support successfully transferred to Xentrall from a private sector provider with a saving of £300k per year to Stockton Council

### **Tactically Grow The Business**

37. One of the objectives of the partnership was to expand the business where appropriate and Xentrall has continued to look at options for achieving this:
- a. The development of Finance and Payroll services for academies which has meant that Xentrall has retained school business from Stockton and Darlington schools as they have transferred to academy status; additionally 4 academy customers from outside of Darlington and Stockton
  - b. Both Darlington and Stockton have explored options for sharing more services using the Xentrall model
  - c. Explored the possibility of submitting a tender let by a North East council for the provision of corporate and support services
  - d. Explored the development of a strategic partnership with UNIT4, the providers of the Agresso financial management software, which has led to mutually beneficial publicity but no business expansion
  - e. Discussed sharing the Darlington and Stockton Agresso financial management system with neighbouring unitary councils
  - f. Discussed options for strategic partnerships with two large private sector outsourcing providers



- g. Discussed options for providing and sharing ICT-based services, for instance disaster recovery, with a number of neighbouring councils

## **FINANCIAL IMPLICATIONS**

38. The financial implications of the partnership were approved by Members when they approved the business case in November 2007 and are on target. Further savings following a review of the service have also been approved by Members and are also on target. The budget implications are built into the Councils Medium Term Financial Plan.

## **LEGAL IMPLICATIONS**

39. The legal implications of the partnership were reported to Cabinet with the business case in November 2007.

## **RISK ASSESSMENT**

40. The partnership is categorised as medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

## **SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS**

41. The Partnership delivers efficiencies which assist in the retention of the current medium term financial plan. It also responds to the Government's efficiency agenda.

## **EQUALITIES IMPACT ASSESSMENT**

42. This report is not subject to an Equality Impact Assessment because there are no changes to service delivery or existing strategies.

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

43. No specific consultation has been undertaken in the preparation of the report

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Education related? No

### Background Papers

Cabinet report November 2007 including the original business case, a full copy of which is available in the Members' Library and on the intranet.

### Ward(s) and Ward Councillors:

Not applicable

### Property

Property matters were dealt with during the setting up of the Partnership.