

People Select Committee Overview Meeting 2016

7 November 2016

Report from Xentrall Shared Services

Context

Members are well aware that as a Council we have had to adapt to funding reductions of £52 million over the last five years and that we are still confronted with having to find further savings. In relation to Xentrall services this has meant delivering efficiencies, savings and income which have been achieved through a variety of means over the life of the partnership.

Whilst we acknowledge that we have a strong track record of sound financial management and we have been dealing with these problems successfully for many years, it will not be easy to address the additional loss of government funding of over £20 million by 2019/20. Moving forward, expectations will need to be realistic as many more difficult decisions will need to be made.

It is both acknowledged and accepted that we can't continue to do all the things we currently do and that we won't be able to work in the same way. For Xentrall services this means assisting Council services in their drive to become more efficient whilst at the same time helping them explore and exploit the opportunities new technologies can bring in terms of service transformation.

The challenge for all Members is to ensure that decisions about the basis on which services will be delivered are within the resources available, taking account of a number of factors such as reduced budget allocation, changing demographics, increasing demand, new national legislation and policy direction. Members are reminded of the four policy principles that support our decision-making:

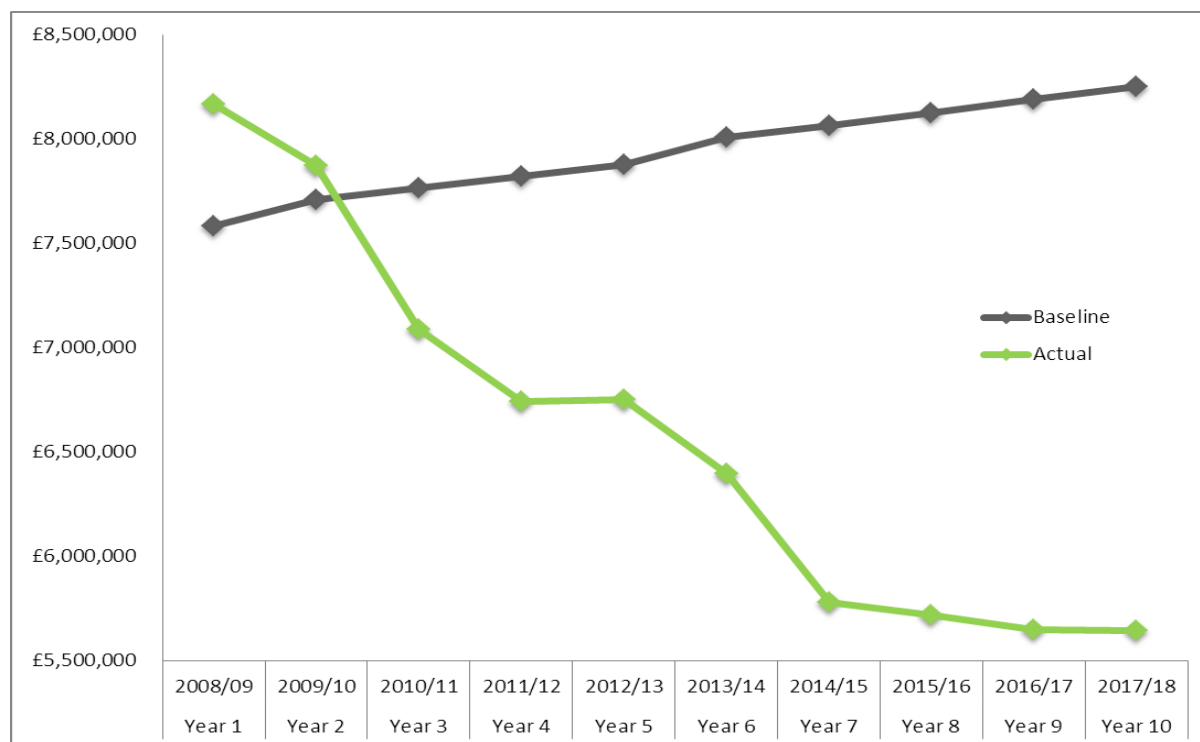
- **Protecting the vulnerable through targeted intervention**, particularly those people in our communities who are subject to, or at risk of harm, people who are homeless or at risk of becoming homeless and those who are financially excluded or whose circumstances make them vulnerable.
- **Promoting equality of opportunity through targeted intervention**, specifically in relation to tackling health inequalities, meeting the skills gap and improving access to job opportunities, tackling fuel poverty, improving education and training opportunities, access to affordable housing and financial and digital inclusion.
- **Developing strong and healthy communities** through the provision of mainstream and preventive services that are available to all those who choose to access them.
- **Creating economic prosperity** across the Borough

It is within this context that the select committee is invited to undertake their overview duties.

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Background and Value for Money

1. Xentrall Shared Services, the Stockton and Darlington partnership, was established in May 2008 and is now eight years through the original ten year partnership agreement. The Xentrall services are:
 - ICT
 - Transactional HR (payroll, recruitment, sickness absence)
 - Transactional Finance (creditors, debtors, banking)
 - Design & Print
2. 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. At the same time the quality and performance of services have improved, with both customer and staff satisfaction good and increasing. In recognition of this success, Members previously agreed to amend the original ten year period into an on-going rolling agreement.
3. The main measure of success is in meeting our budget and savings targets and it is worth repeating the inclusion of a graph which encapsulates this. The Xentrall year on year cost is shown, with 'Baseline' representing the real terms budget for the Xentrall services as they would have been in both Councils had Xentrall never existed and 'Actual' showing the real terms cost looking backwards and forwards. The cumulative difference between Baseline and Actual equates to the total £13.6m savings over the ten year period from 2008 to 2018, eight years of which have already been realised, with the remaining two years on target.



4. The financial situation in both Councils has changed significantly since the original business case and the increase in budget savings has continued to support both Councils Medium Term Financial Plans. Such reductions have mainly been achieved

through staff savings resulting from more efficient ways of working. Xentrall staffing is now approximately 40% less than when the partnership started.

5. In addition to cost reductions, all services undertake benchmarking exercises to ensure that quality is not compromised and to confirm that a balanced approach is used to measure improvements and success. ICT, HR and Finance participate in national benchmarking exercises with other participating organisations and these confirm top quartile and above median performance.
6. 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. The service also continues to achieve its income targets.
7. Xentrall is also subject to various internal and external audit regimes which also confirm the good performance and governance of its services.

What has been achieved?

8. Building upon Xentrall's previous successes, in 2015/16 Xentrall have achieved the following:
9. A new build of the finance system for Stockton's new management structure was completed, with this being done in parallel to both year-end processing and the creation of the finance and payroll structures necessary for the launch of the Tees Valley Combined Authority. All three activities were completed successfully and on time.
10. In addition to the above, throughout the year there have been improvements made to business processes, which include; the upgrading of BACS processing to support changes in Internet security, pension auto enrolment changes, P45 mail merge and triggered leavers letters. A microsite has also been developed for advertising senior posts and the team have participated in jobs fairs. Xentrall has also upgraded the financial system used by its Academy customers.
11. A number of projects have been completed by the ICT team. Many are behind the scenes technology improvements that maintain the service and often go unseen. These and some of the more visible projects are summarised below.
 - ICT has successfully retained ISO Information Security and Quality Management certifications from BSI and also maintained Government Public Service Network (PSN) certifications for both Councils and Payment Card Industry (PCI) certification for Darlington Council. ICT have also passed a rigorous Microsoft software licensing audit undertaken by Ernst & Young. These are important achievements as they allow both Councils to continue to share information and collaborate effectively with other public organisations and also to transact and share information securely with the public. Internally, they are also part of a continuous service improvement programme within ICT.
 - ICT have implemented email classification with integrated encryption for sensitive items.
 - ICT have also seamlessly replaced all of the servers and storage which run all of the Council's ICT systems.
 - The ICT network has continued to be upgraded along with Wi-Fi roll-out.
 - A new secure means of mobile access to Council systems has been rolled-out.
 - As well as the central architecture projects, the ICT service has also successfully completed 43 service based projects across both Councils in 2015/16.

12. Design & Print also continue to work with the Communications Teams in both Councils, in supporting services with major campaigns, such as One Darlington magazine, Stockton Sparkles, Stockton Cycling Festival and the Dolphin Centre re-fit. These campaigns were undertaken alongside the high number of day to day design and printing needs. In support of this work, new digital print equipment was successfully installed during the year.
13. As well as the achievements outlined for both Councils above, Xentrall has explored new business opportunities in-line with the partnership's objective of tactically growing the business. This has resulted in the following:
- The provision of ICT hosting facilities to Northumberland County Council.
 - The provision of ICT services to NEPO (North East Purchasing Organisation).
 - The provision of payroll services to Richmondshire District Council.
 - The provision of payroll services to the Tees Credit Union.
 - The provision of all Xentrall services to the Tees Valley Combined Authority.
 - The continued provision of ICT services to Tees Active.
 - The continued provision of Connexions ICT service to all Tees Valley Councils.
 - The provision of payroll and finance services to academies. The number of academy customers has increased to 44 during 2015/16. This number varies from year to year as Xentrall takes on new academies, but sometimes increases can be off-set by existing customers leaving to join Multi-Academy Trusts, which often have their own in-house service providers. This year has seen a net increase of seven.
 - In addition to the above and following a competitive exercise, Xentrall are now providing 30 Middlesbrough schools and academies with payroll services. This is a significant increase in the number of schools/academies supported and has been a major activity of 2016/17.

Challenges

14. 2016/17, the ninth year of the partnership, is as busy and challenging as its predecessors. Amongst the many projects being undertaken, significant ones include:
- Bedding in both the Northumberland and NEPO ICT services above.
 - Procurement and migration to a new mobile telephony/data contract for both Councils.
 - Migration to the latest version of the Agresso finance system for both Stockton and Darlington Councils.
 - Procurement of a new HR & Payroll system, with preparation for migration in 2017/18.
 - Completion of the ICT network roll-out.
 - Maintaining ISO, PSN and PCI certifications.
 - Continued contribution to the Council's digital transformation programme.
 - Further in-depth assessment of future desktop office software options.
15. As a key part of measuring its impact and success, Xentrall will also be undertaking customer and staff satisfaction surveys in-line with its two year cycle. A key aspect of the partnership service is the ability to balance and meet the needs of both Councils.
16. As with previous years, the continuous service improvement mentality within Xentrall will be applied to leverage any further service improvements and/or savings for both Councils. Xentrall will also continue to assess new partnering and business opportunities as and when these arise, which fits in with its business plan of tactically growing the business.

Emerging Issues

17. As with all Council services, Xentrall has further budget saving targets to achieve in future years. The partnership's success in terms of already ensuring its services are efficient means that additional reductions become even more difficult to achieve. In some cases further savings are reliant on other Council services redesigning their processes and doing things differently.
18. These reductions in capacity also mean that any new external opportunities can be more challenging to investigate and develop, as teams juggle the day job alongside these new projects.
19. Services to existing external customers also need to be maintained and retained, which brings the challenge of not adversely impacting these when considering how and where to make any budget reductions.
20. The Council is heavily reliant on its ICT systems and data. Although technically designed to be resilient and secure, there are on-going and increased external threats, often targeted at end-users in the form of spam emails. Targeting end-users in this way can be an easier way to break into an organisation's systems, rather than trying to hack into firewalls and networks. An on-going user awareness programme is ensuring that such vulnerabilities and associated risks are understood by the ICT user community across the Council.

Possible Areas for In Depth Review

21. There are no areas in line with Council policy priorities that are proposed for in depth reviews.