
XENTRALL SHARED SERVICES ANNUAL REPORT 2014-15

**Responsible Cabinet Member - Councillor Stephen Harker
Efficiency and Resources Portfolio**

Paul Wildsmith, Director of Neighbourhood Services and Resources

SUMMARY REPORT

Purpose of the Report

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1. The Darlington/Stockton partnership went live on 1 May 2008 and the purpose of this report is to present the seventh Xentrall Annual Report to Cabinet.

Summary

2. 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.
3. In recognition of the ongoing success of the partnership the Stockton and Darlington Cabinets approved, in March and April 2015 respectively, a revision to the original ten year partnership agreement. This revision makes the partnership a rolling agreement with no defined end date. This change allows the partnership to operate as a going concern and provides stability for the services and staff.
4. 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, 7 years of which have already been realised.
5. 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.

Recommendations

6. It is recommended that Cabinet note the report.

Reasons

7. The recommendation is supported to allow Members to receive information about the progress of the partnership.

Paul Wildsmith
Director of Neighbourhood Services and Resources

Background Papers

No background papers were used in the preparation of this report.

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S17 Crime and Disorder	There are no crime and disorder issues in this report
Health and Well Being	There are no health and wellbeing issues in this report
Carbon Impact	There are no carbon impact implications in this report
Diversity	There are no diversity issues in this report
Wards Affected	The issues in this report apply to all wards
Groups Affected	No particular groups are affected by this report
Budget and Policy Framework	The report does not propose changes to the budget or policy framework
Key Decision	The report does not require a key decision
Urgent Decision	The report does not require an urgent decision
One Darlington: Perfectly Placed	The subject matter of the report supports the Sustainable Community Strategy
Efficiency	The partnership will deliver significant savings for the council and these are built in to the approved medium term financial plan.

MAIN REPORT

8. Xentrall Shared Services, the Stockton and Darlington partnership, was established in May 2008 and is now seven 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.
9. Xentrall's vision is to:
 - (a) continue to improve our services
 - (b) create value for Stockton and Darlington
 - (c) tactically grow the business
10. 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.
11. In recognition of the ongoing success of the partnership the Stockton and Darlington Cabinets approved, in March and April 2015 respectively, a revision to the original ten year partnership agreement. This revision makes the partnership a rolling agreement with no defined end date. This change allows the partnership to operate as a going concern and provides stability for the services and staff.

Continue To Improve Our Services

12. 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.
13. 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, 7 years of which have already been realised.

14. 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

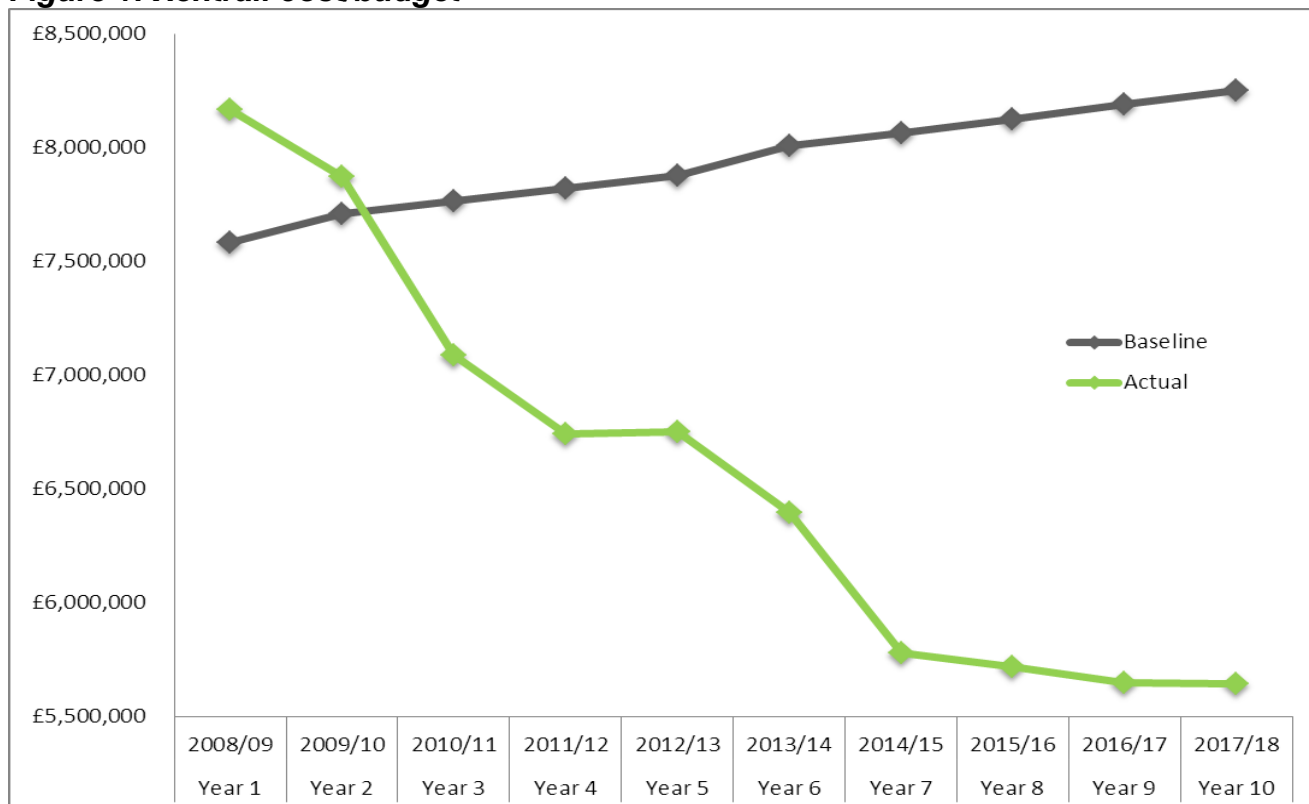
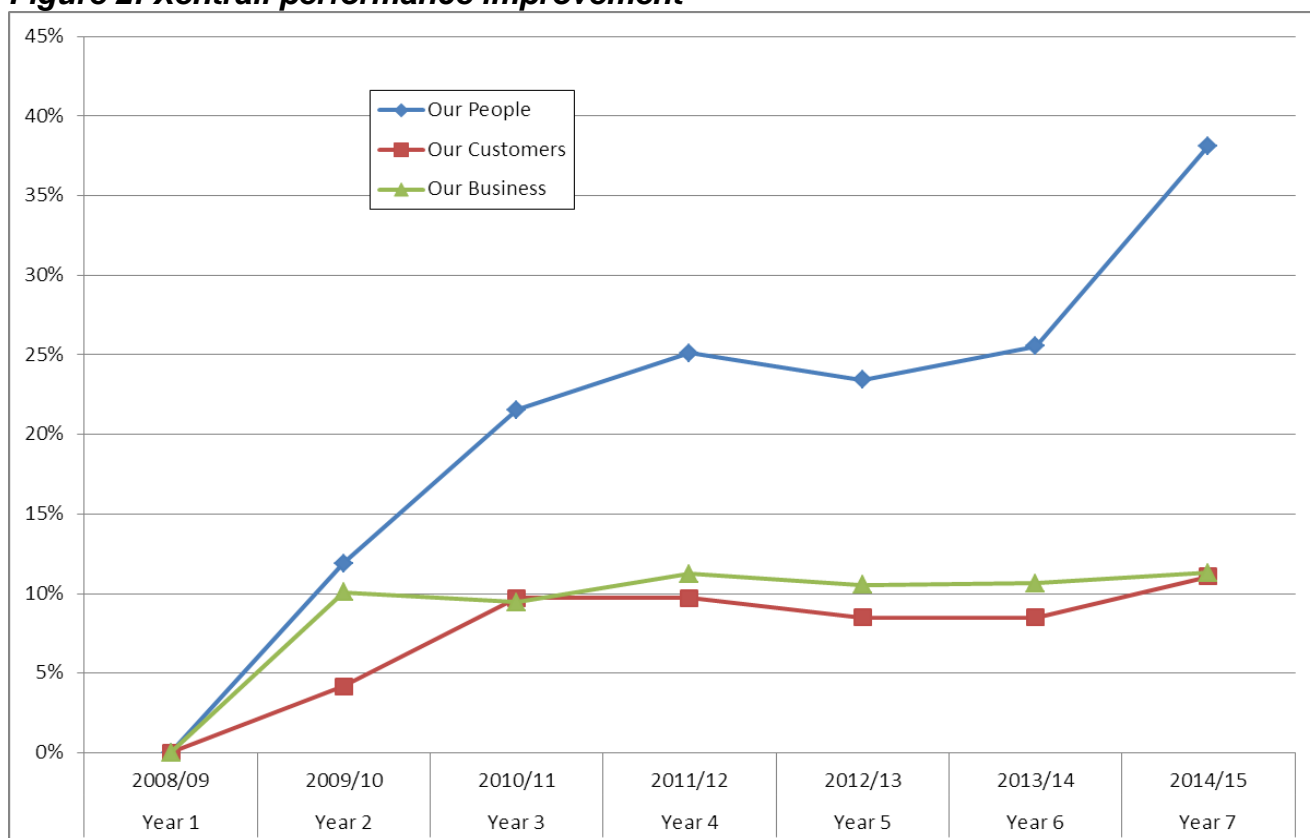


Figure 2: Xentrall performance improvement



Continue To Improve Our Services: Our Resources

15. 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.
16. 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.
17. 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.
18. 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.

19. Design and 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.
20. Design and Print, which has shown an income shortfall in previous years, has exceeded its income targets in the past few years.

Continue To Improve Our Services: Our Business

21. Xentrall provides HR/Payroll and Finance services to academies and multi academy trusts. The number of academy customers has increased to 40 and all existing customers have renewed their contracts for a further year.
22. A new payroll service for Direct Payments clients in Stockton has been implemented during the year. Working in partnership with the Direct Payments support service to implement and improve the payroll service for over 500 clients has been a great success.
23. 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.
24. 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, the teachers' pension scheme and the requirements of Her Majesty's Revenue & Customs (HMRC) for Pay As You Earn (PAYE) income tax.
25. A number of projects have been completed by the ICT team. Many are behind the scenes technology improvements and often go unseen, but some of the more visible projects are summarised below.
26. The desktop roll-out was successfully completed, which involved upgrading or renewing all PCs and laptops across both Councils, along with the installation of Windows 7 and Office 2010.
27. A procurement of a new, more resilient wide area network was completed, with implementation taking place in 2015/16.
28. ICT has successfully retained ISO Information Security and Quality Management certifications from BSI and also maintained Government PSN certifications for both Councils.

29. A new telephony core was installed at Stockton and in parallel a whole new telephony system, including handsets, was rolled-out at Darlington replacing the aged Siemens system.
30. A new data archiving system was implemented which freed up high performing disks for use by the Councils main systems.
31. A backup generator was installed at Stockton to support the backup and disaster recovery ICT services which are located there.
32. A new anti-spam/virus protection system was implemented for both Councils.
33. Wi-Fi services were implemented in main Council buildings.
34. As well as the large central architecture projects, the ICT service has also successfully completed 64 service based projects across both Councils.
35. Design & Print also continue to work with the Communications Teams in both Councils, in supporting services with major campaigns as well as their day to day design and printing needs.

Continue To Improve Our Services: Our People and Our Customers

36. Xentrall undertook a staff survey in January 2015. Net employee satisfaction is 78%. This is a small improvement on previous results.
37. A customer satisfaction survey was undertaken across both Stockton and Darlington customers in March and April 2015. The overall satisfaction for Xentrall services was 82% in Stockton and 78% in Darlington. This is a small improvement on previous results.
38. Both results are very good outcomes considering the amount of change all the services have been through since the service reviews in 2013 and the resultant staff reductions.

Create Value for Stockton and Darlington

39. 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
- (k) 2014: An extension to the software and services agreement for the shared PSE HR and Payroll system was negotiated in 2014; the agreement has been extended to 30th November 2018 with reduced annual support charges payable from 1st April 2015, saving a total of £170k in annual service charge payments over a 3 years and 8 months period from 1st April 2015
- (l) 2014: The procurement of a new anti-virus and web filtering solution by ICT has saved £90k on the previous solution and supplier negotiation resulted in a price £175k less than national framework rates.
- (m) 2015: A renewal of digital printers in Design & Print has achieved both better specification machines, plus savings over the rental period of £58k. Negotiation also resulted in a free colour backup printer, valued at £26k.
- (n) 2015: Complex design and supplier negotiations have resulted in a new wide area network (WAN) for both Councils which provides increased performance and/or resilience to many Council offices, all of which was achieved within the existing budget.

Tactically Grown the Business

40. 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 5 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