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# Xentrall Case Study

## Can 4\* + 4\* = 9?

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### Summary

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Darlington and Stockton unitary councils had each achieved a 4 Star rating in their CPA assessments and wanted to build on the excellent practice they had built up individually to become even better. The pressure for efficiency savings was still on and although there had been some partnership working with various other bodies they believed that a more ambitious approach was needed.

The councils considered the case for sharing corporate transactional services such as finance, HR and ICT. They joined together in a ground breaking public-public partnership that could build on the best practice in these services deliver greater value and deliver them more efficiently than the councils could do themselves.

The partnership is now working well and is on track to deliver the efficiencies of some £7.4m as set out in the business case. There is a definite 'can-do' culture and an ambition that more services could be shared through this organisation in the future and the model could be used elsewhere if appropriate.

In addition to the savings made by the partnership there has also been significant investment in developing new skills and capability aimed at delivering a service which is will transform the way both Stockton and Darlington Councils work.

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### Background

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#### The localities

Both councils are situated in the Tees valley which has developed a strong track record of partnership working. The main east coast railway passes through Darlington, which is placed between the A1 and the A19 trunk roads. Stockton is closer to the A19. Durham Tees Valley Airport and the main east coast railway lines provide further transport links.

The population of Darlington is 99,344 of which 87 per cent live in the town of Darlington, and the remainder in the surrounding villages. Stockton has a larger population of 189,100, Stockton itself is the main town but the borough includes the townships of Billingham, Thornaby-on-Tees, Ingleby Barwick and Yarm, as well as substantial rural areas.

#### The councils

Both councils are unitary authorities. Darlington is Labour controlled with 29 out of the 53 councillors whilst Stockton's political control is delivered through a power sharing arrangement between Conservative and Labour in a joint Cabinet with a Conservative

Leader. Stockton have 56 members in total. Darlington's cabinet has nine members, all of whom are members of the majority party whilst Stockton's cabinet is split between the two main parties.

As at March 2007 Darlington employ about 5,000 staff working in four departments: Chief Executive's, Corporate, Children, Education and Social Care and Community services. Stockton, which employs approximately 8,000 staff, has three directorates covering Resources, Children's and Development and Neighbourhood Services.

Darlington and Stockton have both gained 4 star CPA ratings and both are very ambitious in their own right. They have strong area-based commitment and have been early to develop a well-regarded MAA proposal. Crucially, the services they considered sharing were performing well and had contributed much to the success of the councils.

The Director of Resources in Stockton and the Director of Corporate Services in Darlington knew each other well from working together previously and had built up a high level of trust. They were both interested in exploring the shared services concept and explored various models of delivery including outsourcing to a private sector partner but wanted to deliver added value with a greater level of flexibility. They concluded that there was a clear business case for sharing parts of their services, by forming a new shared service which would be , a joint public-public partnership.

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## Key issues

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The main issue that needed to be addressed in both councils was the continuing drive for efficiency. The initial discussions on this took place in anticipation of tighter financial regimes relating to successive Comprehensive Spending Reviews. Both councils had been working independently to deliver value for money and had implemented lots of innovative practice but the challenge was becoming increasingly difficult.

There was a need to replace the various IT systems in place, particularly in Darlington where the financial management and HR system needed upgrading. A review of ICT at both authorities identified the existing services, although good, were operational rather than strategic services and a reactive rather than proactive service was being offered. An investment was needed in terms of ICT systems, services and capability to enable ICT to facilitate and in some cases drive the change agenda that both councils desired.

The third issue that needed to be addressed was one of sustainability. The two councils wanted to continue to achieve their community and corporate aims for the future by providing even better services.

Although not an issue during the conception stages there was some sensitivity about how the shared service was portrayed. Stockton is a bigger council and it was important to demonstrate that this was a 50:50 partnership rather than a takeover.

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## Actions Taken

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The two Directors approached their respective political and executive leaders for backing and, although initially wary and challenging, both management teams were soon very enthusiastic and understanding of the vision. In order to gain political buy-in separate presentations were made to elected members of each council and papers for cabinet decision were timed in order that both cabinets had the same level of information at the same time. Initially wary of the potential reputation issues that might ensue should the partnership fail, the two councils were convinced that the level of efficiencies that could be achieved would make this work and the political leaders signed a statement of intent to move forward, an important point which, although not legally binding, helped to

ensure continuing buy-in. The unions were consulted at an early stage to discuss what changes would result for staff.

The two Directors looked around at other authorities who had implemented shared services but found that the model they had chosen was relatively new. There was a lack of available help and guidance, as the councils were breaking new ground.

Support and funding was obtained from the North East Centre of Excellence (now the North East Regional Improvement and Efficiency Partnership) for a feasibility study, which was undertaken independently by Deloitte. The study considered all back office functions, how achievable it would be to share, the costs and what other benefits could be gained and the study concluded that cash efficiencies could be made from joint service delivery along with a host of other efficiency savings for example the benefits in having a proactive, value adding service, common policies and procedures and the potential to grow the service to include other services and/or local authorities at a later date. Some of the efficiencies could be further invested in ICT which would help to deliver even further efficiencies.

The study also considered whether there were any significant cultural differences between the two organisations which could disrupt partnership development and found they were similar enough to go forward.

The two councils chose the services that were being directly managed by the directors namely Transactional Finance, Transactional HR, ICT and Design and Print. A business case was written and agreed in 2007 and the new organisation, Xentrall Shared Services, was born based on a business case that demonstrated significant service enhancements could be delivered whilst making efficiency savings of £7.4m over a 10 year period,. The organisation would consist of some 215 FTE staff working across two main sites located in existing buildings in both Stockton and Darlington. Darlington staff would be TUPE transferred (using the full TUPE process, see below) to Stockton for salary and expenses purposes (Darlington pay a management fee to Stockton for this) but, the ethos of the partnership was lead authority in name partnership in nature and this ethos was built into the governance of the partnership.

In terms of governance a Partnership Consultative Panel was formed with Cabinet Member representation from both Councils; the management team of Xentrall reports through an Executive Board (which is made up of the two Directors) to the Consultative Panel. The role of the panel is to monitor the overall performance of the partnership, to act as champions in their respective councils, to deliver an annual report to their respective cabinets and to act as critical friend to the executive board.

An implementation team was set up and monthly update meetings took place between the two management teams and the political leaders. A joint scrutiny review of the business case was initiated and satisfied.

A manager was recruited for the implementation phase in November 2007 and the go-live date was set for April 2008. A gateway review in the early stages identified that programme management and communications needed to be improved so programme managers were brought in to manage the strands, to oversee the implementation processes and to consider what a best in class service should look like.

Much investment has been made in people, recognising that it would be the motivation and satisfaction of the people that would make this programme work. This included making sure that staff were involved as soon as possible and recognising that different levels of staff will have different understanding of the business case and how it effects them. In addition there was a recognition that, particularly when an incremental approach is taken, staff will be at different stages of transition and need to be managed accordingly.

Minor changes were made to the action plan. A 'transition' phase was inserted between the original 'implement' and 'roll out' phases because of the amount of time it took to make the 'physical' things work (for example buildings not ready, and branding issues were still to be resolved), and this enabled the project to be in a stable state before the full roll out. It was also important to baseline all the services to ensure any subsequent monitoring of the programme would clearly show where the impacts have been made.

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## Key outcomes

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Xentrall is now in the delivery phase of the action plan. It is working well, has delivered its first year efficiencies and is on target to deliver the ongoing efficiencies required by the business case. The key structures and frameworks are in place and, due to the high level of resource invested in getting it right for the staff, the culture is upbeat and ambitious. The accommodation has been refurbished to a high standard and flexitime has been introduced for Xentrall staff.

A 'sunburst' diagram has been developed which clearly identifies the vision for the future, and how benefits will be realised in support of the vision. The diagram is used in meetings and team appraisals and is displayed on the wall so everyone can see how they contribute to achieving the vision. A 'benefits tracking' system is in place which clearly demonstrates the impact of the service.

The new ICT set up means there is now a more proactive resource, instead of a bare, technical service there are now business analysts, business account managers and other specialist staff whose roles are clearly defined. There has been a boost in professionalism of the service and in staff skills and future service, projects and systems will perform better.

The new HR and Finance systems are now embedded and new processes are being aligned and further improved leading to efficiency gains particularly in relation to the recruitment process.

Elected Members demonstrated their skills in listening, exploring and being open-minded. Whilst recognising the differences between the partners they trusted their instincts that a partnership was appropriate and embraced this change. Limiting the shared services to internal services at the beginning has given them the space to build this trust and this will help in the future to discuss if externally facing services can be delivered jointly. For officers the skills demonstrated were project management, business process re-engineering, stakeholder engagement, negotiation and people management.

There has been an improvement in reputation of both authorities evidenced by closer relationships with other authorities even outside the Xentrall partnership. There has been increasing interest from other authorities in the area in both the service itself and the concept.

An unexpected outcome of the programme is one of better management of assets, particularly in Darlington where prior to ICT moving to their new accommodation, office space was severely limited meaning that even small scale maintenance of the office space was difficult. Now ICT staff and equipment have moved to their new premises, more space has become available at the Town Hall meaning more flexibility is possible in planning for maintenance and refurbishment.

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## Barriers and how they were overcome

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The main hurdle that had to be negotiated on this programme was the time it took to get the accommodation right. There was the issue about where to site the service and there were worries about staff distances to travel. It was decided that there would be a presence in both boroughs; HR and Finance are located in an existing (newly refurbished) building in Stockton town centre whilst ICT are located in new accommodation in Darlington. The issues with accommodation had a knock-on effect on other parts of the programme, for example the envisaged 'big bang' approach could not now work leading to some initial difficulties for teams and managers. A lot of effort was put into change management at this stage, an incremental approach was substituted which, in hindsight, produced a better outcome as the teams were able to share lessons learned with the new incoming services.

There were a number of legal barriers to overcome. The first was EU Procurement rules. The councils carefully considered CLG guidance<sup>1</sup> which stated that an exemption to the rules if one authority was given exclusive right to provide services. The councils established an administrative arrangement giving this exclusive right<sup>2</sup> as the way forward in achieving the programme objectives.

The legal approach to the governance structure was also covered under the administrative arrangement. Darlington delegated the relevant functions to be discharged by Stockton whilst recognising there would be joint working relationships and decision making in respect of the functions<sup>3</sup>.

There was an issue arising from a recent addition to the regulations on TUPE<sup>4</sup> which indicated that the transfer between the two organisations was excluded from TUPE. The effect of this meant that each of the employees had to agree a transfer of their employment from Darlington to Stockton, a process which required very careful management, each employee needed to be offered suitable alternative employment within the Xentrall partnership, taking account of their individual circumstances and the needs of the partnership.

Recruitment of staff was an efficient process which took place as quickly as possible, acknowledging the anxiety of individuals during an uncertain time. The existing structures and skills in both councils, for example in ICT, meant that it was not simply a matter of transferring existing staff to the new organisation.

When implementing a programme of change with wide reaching implications, such as the establishment of a shared services partnership, it is important not to under-estimate the time, resources and commitment of everyone involved.

Stakeholder management was another hurdle. Even though Xentrall was launched as a shared service, located in both boroughs with its own brand it needed leadership at the highest level to ensure that Xentrall is treated as part of both councils and not one nor the other. Some of the communication barriers which were originally expected simply didn't materialise but some unexpected barriers emerged between people who had previously worked well together, these had to be managed through.

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<sup>1</sup> Structures for Service Delivery Partnerships, para 2.67

<sup>2</sup> Directive 2004/18/EC Article 18

<sup>3</sup> S19 Local Government Act and Regulation 7 Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000 refer

<sup>4</sup> Transfer of Undertakings (Protection of Employment) Regulations 2006 Regulation 3.5

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## Critical success factors

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The critical success factors for this approach can be summarised as follows:

- The level of trust already in place between the two Directors
- Involving the unions at an early stage and working together through issues as they arose.
- Being fully committed to the success of the partnership, both councils signing a statement of intent meant that political changes were less likely to impact on the partnership
- Focussing on outcomes rather than contracts/service level agreements between the partners and retaining a public service ethos.
- Being open and honest about things you can't do anything about, not giving false hope and not putting off bad news
- Not criticising how things were done in the past, process mapping, base-lining and focussing instead on the best way of doing it in the future
- Being flexible enough to change plans when issues arise
- Not confusing writing the business case and planning. Really understanding what the new organisation would look like before planning on how to implement it

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## How would you do it better?

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If the two councils had the benefit of hindsight they may have done some things differently. Not getting bogged down in too much detail in the early stages, appointing senior staff as early as possible in order that they had more opportunity to shape the business case, design the service and be involved in staff recruitment etc. In addition, whilst project management skills were already in place the scale of the project was unfamiliar and so a further resource had to be bought in. Properly resourcing programme and project management might have meant the service could have been implemented quicker and further benefits realised sooner.

Having co-terminus contracts with suppliers and service providers would have helped enormously, as would letting contracts that are (potential) partner-friendly. For example, ensuring that other authorities can buy into your contracts without the need for re-tendering processes.

Finally there would be more focus on customer satisfaction and communications/relationships. There was a slight drop in customer satisfaction in the early stages but the partners recognise now that expectations would be raised even without effort on the part of the new organisation to raise them.

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## Key contact

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**Sue Reay, Xentrall Shared Service Manager** [sue.reay@xentrall.org.uk](mailto:sue.reay@xentrall.org.uk)

## Appendix 1

### List of Interviewees

Sue Reay – Shared Services Manager, Xentrall
Ian Coxon - Head of Transactional Services, Xentrall
Julie Danks – Corporate Director of Resources, Stockton Borough Council
Cllr Laing, Stockton Borough Council
Ian Miles – Head of ICT & Design & Print, Xentrall
Cllr Harker, Darlington Borough Council
Paul Wildsmith – Director of Corporate Services, Darlington Borough Council
Ada Burns – Chief Executive Darlington Borough Council
Julie Grant, Head of Legal Services, Stockton Borough Council