REPORT TO:	FINANCE & MANAGEMENT	AGENDA ITEM: 8
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REPORT FROM:	CHIEF EXECUTIVE OFFICER	
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SUBJECT:	CORPORATE SERVICES STRATEGIC PARTNERSHIP: ANNUAL REPORT 2011 / 12	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendation

1.1 That the annual report detailing the performance of the Partnership in 2011/12 be approved.

2.0 Purpose of Report

2.1 To provide details of the performance of the Partnership for the second year of the arrangement between the Council and Northgate Public Services. As one of the Council's most significant partnerships, this is in accordance with the Council's Corporate Partnership Policy.

3.0 Detail

Background

3.1 The Council appointed Northgate Public Services (NPS) as its partner to deliver the Council's Corporate Support Services under Contract, together with a range of strategic objectives around the creation of a Regional Business Centre and to provide transformation across all council services.

3.2 The Contract commenced on 1st August 2010 for 7 years, with the Council having an option to extend this period by a further 3 years. The Council appointed NPS to deliver its business case for Corporate Services and the wider Business Centre. The objectives contained in the business case were:

- To deliver on-going improvements in service delivery
- To achieve cashable savings
- To retain and grow jobs in South Derbyshire – a "net importer of jobs."
- To protect and develop employees in times of change
- To provide stability and resilience in service provision

- To invest in ICT
- To provide the Council with access to additional skills
- To deliver innovation and transformation across all council services.

The Partnership

3.3 NPS are responsible for day to day service delivery of the following functions for the Council.

- Finance, including Accounts and Exchequer Services
  (Up to June 2012)
- Revenues and Benefits
- Customer Services and the Contact Centre
- ICT
- HR and Payroll
- Policy and Communications
- Procurement and Business Improvement
- Printing and Design
- Mail and Postage

3.4 The Council remains responsible for setting strategy and policy, such as the Medium-Term Financial Plan, the IT Strategy and HR policies, etc. In addition, it has retained budgets for IT maintenance, upgrades and replacement together with other corporate activities such as the banking contract, insurance provision and corporate training.

3.5 The service (contract) value is around £3m per year subject to an inflationary increase on an annual basis. 84 staff were initially transferred across from the Council to NPS to deliver services. All services are delivered from the main Civic Offices, although the actual processing of payroll and the IT helpdesk (back-up facility) take place off-site.

Guaranteed Savings

3.6 NPS have guaranteed to the Council a certain level of savings over the life of the initial 7-year contract. Firstly, the contractual price for the services transferred was £125,000 lower than the (then) current costs, a year on year reduction of 5%. This was applied on Day 1 of the Partnership and is on-going. The other guarantees are as follows:

- £42,000 per year through additional income from council tax and sundry debtor collection (£294,000 over 7-years)

- £356,400 <u>on-going yearly savings</u> in total over the first next 5-years of the Partnership through better procurement of council supplies and services.

- £142,000 <u>on-going yearly savings</u> in total over the first 5-years of the Partnership through transformation of other council (retained) services.

Risk Reward Mechanism

3.7 The guaranteed savings for procurement and transformation are the net amounts at a rate of 40%. Effectively therefore, gross savings are contracted at 60% higher, i.e. £891,000 and £355,000 for procurement and transformation respectively.

3.8 They also represent cashable savings that can be identified in Council budgets.

3.9 This risk/reward approach reimburses NPS for investing resources up front to generate budget/efficiency savings. Savings in the first year from any change, etc. are shared equally at the rate of 40% with the remaining amount (20%) placed in an Innovation Fund to resource future investment in efficiency savings. After the first year, all savings are for the sole benefit of the Council.

3.10 Any gain share on income collection is subject to the impact on the Bad Debts Provision. Unless this is physically reduced, no cash is available for distribution. If collection targets are exceeded, this will reduce the annual contribution to the Provision than would have otherwise been required and is effectively "cost avoidance."

3.11 The Partnership Contract allows for other authorities within the East Midlands Region to buy-in services from the Regional Business Centre. The value of any work is subject to a one-off gain share payment to the Council.

Jobs Guarantee / Regional Business Centre

3.12 Due to planned efficiencies in Corporate Services, it is expected that the overall numbers employed for the "core client" (SDDC) will reduce over the life of the Contract.

3.13 However, NPS have guaranteed that 100 new jobs will be brought into the District by consolidating business in South Derbyshire and from work brought into the Regional Business Centre. This also presents redeployment opportunities for transferred staff.

Performance Framework

3.14 The performance of NPS against the objectives is monitored through a set of key performance indicators (KPIs) covering all service areas. These come with a set of targets and measures designed to maintain and improve service provision, together with the achievement of the strategic objectives.

3.15 A default regime is in place which penalises poor or failing performance. However, there is also a reward mechanism in place where performance exceeds target or where NPS provide the basis and framework for budget savings (subject to Council approval) based on their transformational work.

3.16 This is a key element of the Partnership, alongside the Council's support to NPS to deliver a regional business centre in the district to help develop the business, whilst providing benefits for the local economy.

Management and Governance Arrangements

3.17 The Head of Corporate Services has overall responsibility for managing and working with NPS to deliver the services and wider objectives. Day to day monitoring of KPI performance is undertaken by a Client Services Unit, which was formed from retained staff who did not transfer to NPS.

3.18 An Operations Board considers performance on a monthly basis, with a Strategic Partnership Board taking an overview and monitoring the strategic objectives on a quarterly basis.

A Quick Recap of 2010/11

3.19 The first year's performance of the Partnership was reported to the Committee in December 2011. This included a period of transition after which NPS began their initial investment in transformation, IT and creating the Regional Business Centre.

3.20 Generally during the first year, performance was good with most KPIs being met and in some key areas exceeded. In particular extended targets in customer services and benefits processing were achieved, with the Customer Services Team winning a local business award in October 2011.

3.21 However, issues in producing the Council's annual accounts for 2010/11 within the statutory timescale gave rise to the Financial Services Unit being returned back under the direct management of the Council. This was completed in June 2012. There were also on-going problems with the Payroll Service.

3.22 During the first year, NPS invested significantly in IT with a new HR/Payroll system being implemented, together with a substantial upgrade to the Council's Financial Management System.

Progress and Performance 2011/12

3.23 During the year, service performance has continued to be good in almost all service areas, with all key performance indicators being met. The Payroll Service aside, there has been limited day to day operational issues.

3.24 Given the change in some areas, for example with the IT Service Desk, this has to be expected. However, issues have generally been resolved and have not impacted on KPI performance.

3.25 The development of the Regional Business Centre has also gathered momentum over the past year, with more jobs being created locally.

Revenues and Benefits Processing

3.26 The last year has continued to present challenges in common with most local authorities. The on-going economic situation has made debt collection more difficult and changes to Government systems, together with an increase in the volume of benefit applications, has challenged processing times.

3.27 Against this, collection rates remained above target for in-year collection, although performance on arrears was below. Overall, the income target was met. The average time for processing new benefit applications and a change in circumstances were also within target.

Customer Services

3.28 During the year, the telephony system was upgraded to enhance call monitoring and for directing calls. All targets were met and service levels exceeded even when dealing with emergencies, such as Flooding incidents.

3.29 Additional call recording was also introduced through the Revenues Contract with South Buckinghamshire District Council. This ensures that queries can be validated and monitoring is enhanced.

Human Resources

3.30 The integrated IT system implemented during 2011/12 continued to be rolled out; modules for recording and paying car mileage claims, together with personal development reviews were introduced. This continues to increase the amount of day to day business completed electronically.

ICT

3.31 In accordance with the ICT Strategy, significant investment continues to be made in the IT infrastructure. This is putting the building blocks in place in order for the Council to benefit from developments in technology and allow:

- Remote access and mobile working.
- Greater resilience in business continuity/disaster recovery.
- Enhanced document management.
- Greater IT capacity.
- Consistency in use, and access to, corporate systems and Microsoft applications.

3.32 This investment is a key partnership project. The Council is providing a majority of the initial funding, with NPS providing the relevant skills and expertise in delivering the key milestones.

3.33 All servers were upgraded in 2011/12 and the following projects are currently in progress with full implementation scheduled for March 2013.

- E-mail archiving and document management
- Upgrade of Microsoft Exchange
- Desktop Virtualisation
- A review of Hardware devices for remote access.

3.34 This will eventually impact on methods of working and interaction for both Council Members and Officers.

Payroll

3.35 Unfortunately, the Payroll Service has continued to present problems throughout the year with errors being made in processing certain payments. Although a substantial part of the Payroll is delivered on time and correctly, there have been on-going errors affecting different individuals on a consistent basis.

3.36 Following a review of processes and an increase in quality control, the error rate reduced, but not to a level that is normally expected of a Payroll Service.

3.37 As a final option, the processing of payroll has recently changed location to a different service centre. This is being kept under review.

Key Performance Indicators (KPIs)

3.38 Performance against all the individual KPIs by service area over the last year is monitored monthly. All KPIs are subject to a default regime, which is an escalation scheme based on three severity levels. Defaults during the past year are shown in the following table.

Service Area	KPI	July to Sept 2011	October to Dec 2011	January to March 2012	April to June 2012
Customer Services	CS 02 - Percentage of Telephone Calls answered within 20 seconds	-	-	One Sev 2	-
Financial Services	FM 02 - Quarterly Reconciliations	One Sev 2	-	-	-
Financial Services	FM 03 - Accurate and Timely Year-end Accounts	**One Sev 1**	-	-	-
Financial Services	FM 04 - production of Monthly Budget Monitoring Statements	One Sev 2	-	1 Sev 2	-
Financial Services	FM 05 - Provision of Overall Financial Commentaries	One Sev 2	-	1 Sev 2	-
Financial Services	FM 07 - Efficient processing of payments within 30-days	One Sev 3	-	-	-
Financial Services	FM 11 - Completion of Statutory Returns on time	One Sev 2	-	-	-
Human Resources	OD 3 - Completion of Recruitment Correspondence with 5 days	One Sev 3	-	-	-

Key:
Sev 1 – Severity level 1 – Fundamental Service Failure – Default Payable
Sev 2 – Severity level 2 – Serious Service Failure – "x" times S2 = S1
Sev 3 – Severity level 3 – Minor Service Failure – "x" times S3 = S2

3.39 The failures in Financial Services led to the transfer back to the Council as previously reported. The isolated service failures in Customer Services and Human Resources did not warrant any default action. They were one-off occurrences and caused no major issues for service delivery.

3.40 Although the main KPIs for Payroll have been met, there have been regular problems with payment errors at individual level. Action has been taken to improve this situation and this is being kept under review.

3.41 The collection of council tax arrears and housing benefit overpayments individually fell below target. However, the default scheme for collection combines in-year collection with arrears and it is the total of 4 indicators under the income guarantee scheme that eventually determines overall performance. This is detailed later in the report.

Corporate Projects

3.42 The Partnership is also co-ordinating 2 pieces of project work across the Council to improve efficiency and effectiveness in service delivery.

Customer Access

3.43 A strategy to develop how people interact with the Council was approved by the Committee in April 2012. Progress is being reviewed by a Project Board and reported to the Committee in quarterly performance reports during the year.

Paper Lite Initiative

3.44 This contains a series of on-going initiatives to reduce the amount of paper, printing and postage used by the Council. A more significant project to implement an electronic mailroom and increase document scanning across more service areas is currently being considered.

3.45 Progress is monitored and reviewed by the Business Improvement board.

Regional Business Centre

3.46 The expansion of the Document Management Service has continued during 2011/12. In addition, the Revenues and Benefits Service for South Buckinghamshire District Council commenced operation from South Derbyshire in November 2011. Some IT support and council tax reviews are also been undertaken for other authorities.

3.47 Including new jobs, transfers and redeployment, the overall number of posts across the Partnership is currently **14 greater** than at the start of the Partnership, with a **further 9 posts** currently being recruited.

3.48 The recruitment to new posts created in the Regional Business Centre has largely been from the local area and includes an apprenticeship programme in

partnership with Burton and South Derbyshire College. During the year, one of the Modern Apprentices has been taken on in a full time post.

3.49 The current status of jobs which compares the number of transferred staff and the Regional Business Centre is summarised in the following table.

Numbers employed: SDDC Core Client and Regional Hub

Service Area	Start of Partnership	Employed as at 31st August 2012	Posts Being Recruited
Finance	11	0	0
ICT	10	7	1
Customer Services	21	16	0
Revenues and Benefits	20	20	0
Policy, Communications, Print/Design	7	8	0
HR and Payroll	9	6	1
Procurement and Business Improvement	6	2	1
Leadership and Management	0	3	0
Regional Business Centre	0	25	6
Total	**84**	**87**	**9**
Less Finance Transferred Back	-11	0	0
NET POSITION	**73**	**87**	**9**

These figures represent the fixed establishment and exclude the transformation resources of NPS supporting the above, together with resources provided off-site and on an ad-hoc basis.

Expanding the Business Centre

3.50 Currently, NPS are in negotiation with a landlord to acquire a further site elsewhere in the District. This will help to expand the Regional Business Centre and create further job opportunities in the future.

Savings Achieved To-date

3.51 Besides the initial contract savings, the Partnership has achieved the following cashable savings to-date.

	Target	Year 1	Year 2	Cumulative
Income Collection	£294,000	£42,000	£42,000	£84,000
Procurement	£891,000	£0	£24,674	£24,674
Transformation	£355,000	£139,851	£135,660	£275,511
Job Creation (new jobs)	100	13	10	23

3.52 All targets are well on track except that relating to Procurement. Opportunities have been identified, in particular in Housing Services, but these are still being considered.

Income Collection

3.53 The figures for income collection are discrete each year and depend on the collection rates for council tax and sundry debtors. Four KPIs are used to measure performance and are <u>aggregated</u> for the purposes of the default/reward mechanism.

3.54 The income guarantee target is £42,000 per year. Performance in 2011/12 is summarised in the following table.

Performance Indicator	Target	Actual	Met
Council Tax – in-year collection	97.3%	97.9%	Yes
Council Tax – arrears collection	26.7%	22.3%	**No**
Overpaid Housing Benefit recovered	34.2%	31.5%	**No**
Sundry Debtor income collected	82.6%	86.2%	Yes

3.55 Two of the targets were met with performance on two others falling below.

3.56 The performance on "in year" council tax collection and sundry debt collection more than compensated for the reduction in arrears recovery (compared to target). Overall, this reduced the contribution to the bad debt provisions than would have otherwise been required.

3.57 <u>Therefore, the income guarantee was in the form of cost avoidance to the Council but with no cashable savings falling under the risk/reward mechanism.</u>

Procurement

3.58 Some minor savings were achieved during the year. As a previous table highlighted, there is still significant work required over the remaining 3 years if the target savings are to be achieved.

3.59 Opportunities have been identified and the procurement of Kerbside Recycling and the replacement of vehicles and plant over the coming year should realise savings, estimated at £100,000 per year in total.

3.60 There is a significant amount of procurement to be undertaken in Housing which could generate additional savings from opportunities identified. These are still being considered. Progress is monitored through the Business Improvement Board.

Transformation – Service Reviews

3.61 Gross savings achieved to-date total approximately £275,000 towards the gross target of £355,000. This includes efficiency savings over the last year in Environment Services based at the Depot.

3.62 Some of the savings are still to be fully realised and will depend on the extent of eventual amounts stemming from the Paper Lite initiative and its impact in Democratic Services. However, this is considered to be more of a timing difference rather than a failure to achieve the target savings approved by the Council.

3.63 Reviews have recently been completed in Building Control, Housing, Leisure and Planning Services and proposals will be aligned with the Customer Access Review highlighted earlier.

3.64 Once final proposals are agreed through the Operations Board, these will be reported for consideration at this and the relevant Policy Committee.

Governance and Monitoring

3.65 Besides the Operational and Strategic Partnership Boards, more detailed monitoring now takes place through a Partnership Liaison Group. This is a consultation forum, set up in the last year, which consists of operational heads from both NPS and the Council. The forum discusses and reviews more detailed arrangements stemming from system and process changes.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 Where applicable, as detailed in the report.

6.0 Community Implications

6.1 None directly.