



OVERVIEW AND SCRUTINY COMMITTEE - 4 NOVEMBER 2020

EAST MIDLANDS SHARED SERVICES PERFORMANCE UPDATE

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. To provide the Commission with an update on the performance of East Midlands Shared Services during the past 12 months.

Policy Framework and Previous Decisions

2. In 2010, Nottingham City Council and Leicestershire County Council formed a partnership to share their HR, Payroll and Finance IT system and jointly deliver HR administration, payroll and finance transactional services.
3. In September 2010, the County Council's Cabinet agreed to establish a Joint Committee to oversee the operation of the Shared Service comprising elected members from both Councils. At officer level, each Council has a Sponsor, which at Leicestershire County Council is the Director of Corporate Resources. These arrangements remain in place.

Background

4. East Midlands Shared Services (EMSS) was created on 1 September 2012. The Employee Service Centre is based at County Hall in Leicestershire and the Finance Service Centre at Loxley House in Nottingham.
5. Over the past 8 years the service has stabilised and then sought opportunities to optimise the service through the digitisation of processes, robust performance management and improved customer service focus.
6. Overall the service has achieved £1.8m savings since 2012, meeting the expectations of the original business case. Pay award pressures have had a significant impact on the service and further efficiencies are planned from 2021 onwards.
7. The service operates on a shared IT platform – Oracle Ebusiness. In 2018, the partner Councils procured a replacement system - Oracle Cloud and commenced an implementation programme across HR, Payroll, Finance and Procurement.

8. On the basis of the audit work undertaken during 2019/20, the Head of Internal Audit at Nottingham City Council concluded that a 'significant' level of assurance could be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered.

Strategic Priorities

9. EMSS is the business owner of the shared IT platform, Oracle. The implementation of the new system commenced in July 2018 and was due to 'go-live' in phases from April 2019. The 'Fit for the Future' programme has been the largest priority for EMSS since 2018.
10. The programme was within weeks of 'commencing the 'go-live' phases when Covid-19 impacted. The programme board determined on 23 March 2020 that there were significant risks in continuing the cutover to the new system, for which it was not possible to put in place mitigation measures. The decision was therefore taken to temporarily pause the programme and re-plan once the impact of Covid-19 was understood.
11. Following a short pause the programme re-started and the new system is due to go live in phases from November 2020 until June 2021. The Fit for the Future Programme has been supported by key members of staff within EMSS. Through the knowledge of these staff, issues have been clearly identified with the team challenging on solutions directly with Oracle and the implementer.
12. Following the lockdown on 23 March, the priority for EMSS was to enable all staff to work at home whilst maintaining critical services. There were a number of immediate challenges to overcome, these included:
 - Ensuring all vulnerable or anxious staff could self-isolate immediately.
 - Providing 124 staff with their own IT equipment at home with remote access to LCC servers and systems.
 - Providing staff without their own IT, with County Council laptops.
 - Finding a solution to the service desk telephony system that could not be operated remotely.
 - Maintaining contact with all staff.
13. As remote working became a longer term feature it became necessary to provide the 124 staff who were using their own equipment with County Council laptops; this has been achieved. However, where it improves their productivity and wellbeing, a number of EMSS staff do work in the offices at the County Council and Nottingham City Council.
14. EMSS have a Covid-19 recovery plan in place and are confident that they are actively monitoring the wellbeing of their staff.
15. EMSS Health, the collaboration between Nottingham University Hospitals (NUH) and EMSS, have made good progress in developing benchmarking and processes through workshops and training to demonstrate EMSS approaches

to process mapping, customer queries and engagement. The objective is for payroll to participate in large-scale tenders for NHS payroll services next year.

16. During 2019, the Employee Service Centre (ESC) continued to increase the number of qualified staff through apprenticeships and professional training. The ESC balanced both the Fit for the Future (FFTF) programme, resourcing the project with key staff whilst maintaining its high-performance levels within business as usual.
17. EMSS Personal Budgets (PB) Payroll service, within the ESC, was a finalist in the 2019 The Rewards for the Specialist Payroll and HR Provider Award. The service offers a unique type of service to those delivered in EMSS, delivering payroll to citizens in receipt of Direct Payments that act as employers of their own staff to provide them with care/other support.
18. During 2019 the team has expanded its service provision to Nottingham City Council by 85 customers, and trades commercially with other local authorities and now offers an enhanced PB payroll service to the City Council which is also being rolled out to Leicestershire County Council next year.
19. In April 2020, the processing of a small payroll for Leicestershire Unison went live and has led to exploring different system requirements for payroll provision. The team are currently assessing requirements for a larger payroll customer (200 staff).
20. The Finance Service Centre achieved significant assurance from both the Accounts Payable (AP) and Accounts Receivable (AR) Audits, which demonstrated the level of improvements achieved despite the commitment required on the FFTF project.

Operational Performance

21. The Employee Service Centre performance has remained stable. The team continues to deliver excellent payroll accuracy rates. The payroll accuracy rates for 770k payroll transactions during 2019/20 were 99.82%, a slight increase on the 2018/19 rate of 99.76%. Contract processing accuracy, DBS check completion and recruitment processes all met their service level agreement targets of 100%.
22. The ESC worked hard alongside the Leicestershire Adult Learning Team to deliver payroll apprenticeships. The ESC team launched the technical aspects of the apprenticeship standard training for payroll and now offers this to employers commercially. It is planned that during 2021 this is an area which can expand.
23. The Finance Service successfully completed all year end tasks remotely and were able to meet all the deadlines required by partners, which included emergency supplier set ups for PPE equipment, emergency payments required for business grants and charities in addition to refunds for cancelled annual services associated with the COVID 19 situation.

24. The AP and AR functions have continued to perform well with invoices and supplier set ups being fully processed within the terms of the Service Level Agreement. Requests for Payments were processed immediately, credit balances saw an overall reduction with debt collection improving by around 15% on last year's figures, and volumes and values of unallocated cash have continued to be allocated to the correct budgets.
25. The Finance Service Centre continues to work closely with the partner departments to help to resolve complex queries relating to debt collection. The success of the team is clearly seen throughout 2019/20 with improved visibility of values and the percentage of collectable debt increased from, on average 46% in 2018/19 to 63% in 2019/20 Thus meaning that less debt was on hold or in query with the supplier or department.

Resource Implications

26. The overall EMSS budget for 2019/20 was £3.9m (including £240k from reserves) of which £1.5m relates to the Oracle system. Underspends during the year meant only £53k was used from reserves.
27. At the end of July 2020, EMSS is currently showing an underspend of £0.03m however this does not include the Covid related costs £95k which will be funded from reserves along with the pay award which has placed additional pressures on the budget.
28. The service is refreshing its Medium-Term Financial plan for presentation at the EMSS Joint Committee on 23 November 2020. The plan will contain details of the targeted savings over the next two years, alongside the projects to deliver efficiencies, e.g. the replacement of the current call handling system with an omnichannel customer contact solution using artificial intelligence technology.

Conclusions

29. During the past 12 months, EMSS performed in line with service level agreements across all services.
30. Delivering the Fit for the Future Programme has been and will remain, the key priority for EMSS.
31. The EMSS Joint Committee is fully aware of the strategic priorities for the organisation and performance is reported on a quarterly basis.

Background Papers

Shared Services with Nottingham City Council – Cabinet, 7 September 2010
<http://politics.leics.gov.uk/documents/s47156/E%20-%20Shared%20Services.pdf>

East Midlands Shared Services: Procurement of Managed Hosting Service – Cabinet, 26 July 2011
<http://politics.leics.gov.uk/documents/s55039/N%20east%20midlands%20shared%20services%20procurement.pdf>

East Midlands Shared Services: Consultancy Report – Cabinet, 13 September 2011
<http://politics.leics.gov.uk/documents/s56198/M%20%20East%20Mids%20Shared%20Servs%20consultancy%20support.pdf>

Circulation under the Local Issues Alert Procedure

None

Equality and Human Rights Implications

None

Other Relevant Impact Assessments

None

Appendices

None

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