

**SCRUTINY COMMISSION - 22 APRIL 2015**

**EAST MIDLANDS SHARED SERVICE - DELIVERY AND PERFORMANCE**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**Purpose of the Report**

1. To provide the Commission with an update on the services provided by East Midlands Shared Service and its performance during 2014/15.

**Policy Framework and Previous Decision(s)**

2. In 2010 Nottingham City Council and Leicestershire County Council formed a partnership to deliver HR administration, payroll and finance transactional services. The joint arrangements were agreed within the context of financial austerity and the requirement of local authorities to commission quality services at reduced cost.
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 Chief Financial Officer

**Background**

4. East Midlands Shared Services (EMSS) was created on 1 September 2012, employing 175 permanent and 40 temporary employees across two locations. The decision was taken to base the Employee Service Centre at County Hall in Leicestershire and the Finance Service Centre at Loxley House in Nottingham. These shared service delivery arrangements, are innovative within local government due to the scale of the operation and functions, co-location of the services and shared IT platform.
5. Supported by an Oracle Enterprise Resource Planning System, the Shared Service offers a sustainable solution to deliver efficient, cost effective services and a technical platform from which new ways of working can be developed and delivered.
6. The implementation of Oracle within Nottingham City Council and new processes across the partnership took place in April 2013. The staggered "go live" date of the organisation and the ICT system enabled the major changes that needed to be implemented around people, accommodation and supporting technology to take effect prior to the launch of new processes through Oracle.
7. EMSS as a shared service organisation has evolved through a transition and stabilisation phase between September 2012 and December 2014 and is now entering a period of optimisation focussing on the standardisation of services and processes to support future business integration, improving the scalability of the existing services and reviewing the scope of the services delivered.

## **EMSS - The Organisation**

8. The EMSS Senior Management Team is led by the Head of EMSS, supported by three senior managers.

<b>Head of EMSS</b>		
<b>Employee Service Centre Manager</b>	<b>Finance Service Centre Manager</b>	<b>Business Development Manager</b>

### **Employee Service Centre**

9. The Employee Service Centre (ESC) is responsible for HR administration, recruitment and payroll services. The Service Centre Manager is supported by two Service Delivery Managers, one responsible for the HR admin aspects of the team's activities and one responsible for Payroll.
10. The Employee Service Centre is made up of eight teams, providing a range of employee related services:
- Service Desk
  - HR administration
  - HR administration – schools
  - Recruitment
  - Payroll administration
  - Payroll control
  - Payrolls – schools / academies / externals (1)
  - Payrolls – schools / academies / externals (2)

### **Service Desk**

11. The Service Desk is the first point of contact for customers. It receives queries in all formats (telephone, electronic/email, post) and is responsible for swift and effective resolution of the query or prompt routing to a specialist team if the query is of a more technical/complex nature. All queries received are recorded using a system called OTRS, which enables the ESC to monitor, track and report on performance.
12. The Service Desk dealt with a total of 57,504 enquiries throughout 2014/15. They only escalated 1.87 % of these calls to the County Council's Strategic HR team and 0.94% of these calls to Nottingham City Council's Strategic HR team. The highest volume enquiries to the ESC between April 2014 and March 2015 were (a) Payroll (b) HR data (c) Policy related

### **Recruitment Team**

13. The Recruitment Team is responsible for supporting managers with the end to end recruitment process, from placing adverts on the our East Midlands Jobs Portal to liaising with managers to ensure that the range of required pre-employment checks are completed. The Recruitment Team placed 1298 adverts during this time and received 8,274 application forms. They processed 620 provisional offers. The Recruitment Team work on a turnaround time of 48 hours for placing adverts, invites to interview and offer letters and are 78% compliant with this.

14. The portal receives an average of 150,000 hits per day from potential candidates; it had a total of 54 million hits in 2014 and has 20,190 registered applicants.
15. The team is also responsible for the management of the Disclosure and Barring Service (DBS) process which is provided by an efficient, externally hosted, on-line system. The system is high performing and as a result the quality of the service provided by EMSS is very good. The average turnaround time is 52% within 1 week, 79% within 2 weeks and 92% within 3 weeks. 19881 DBS checks were processed by the team in 2014/15, generating income of £319,276.

## HR Administration

16. Two HR Administration teams are responsible for ensuring contracts of employment are issued and for processing of a range of staffing changes. The teams work closely with our Payroll teams to action any system and payroll amendments. They also handle maternity, paternity and other leave issues. One of the teams is responsible for schools/academies processes and one for non-schools/academies processes. The teams produced 4676 variation letters and contracts, of which the ESC error rate is less than 1%.

## Payroll

17. Four Payroll teams are responsible for actioning all detailed individual payroll changes, including the processing of timesheets for additional hours and absences. They also ensure correct deductions for National Insurance, pension and any salary sacrifice schemes available. The Payroll Control team undertakes the technical aspects of running the payrolls ensuring they are as accurate as possible before being released for BACS payment for salaries to reach people's bank accounts in time for payday. We also have two teams responsible for Schools/Academies and Agency payrolls and one team responsible for County Council and Nottingham City payrolls.
18. The Payroll teams manage 155 separate payrolls with the following payment volumes on a monthly basis:

As at April 2015	No of payments	Value of payments
County Council (includes agencies, pensioners, LCC schools and academies)	49,855	33,660,798
Nottingham City Council (includes schools, academies and pensioners)	13,129	15,405,673
<b>Total per Month</b>	<b>62,984</b>	<b>49,066,471</b>
<b>Total Per Annum</b>	<b>755,808</b>	<b>588,797,652</b>

## Finance Service Centre

19. The Finance Service Centre (FSC) is responsible for transactional finance activities. The Service Centre Manager is supported by two Service Delivery Managers, one responsible for the Accounts Payable and one responsible for Accounts Receivable. The FSC dealt with a total of 54,833 telephone queries and 30,810 e-mails enquiries during 2014/15.

## **Accounts Payable**

20. The Accounts Payable team is responsible for the timely processing of invoices for trade suppliers and feeder systems for individuals, in line with the payment terms for some 38,000 suppliers. In addition to processing, activities include supplier set up and maintenance, incoming queries are answered, supplier statements are reconciled and the team interacts closely with finance and procurement to improve Purchase Order compliance.
21. BACS payment runs are generated daily and cheque runs bi-weekly to ensure timely settlement of invoices in line with the late payment legislation to ensure where the debtor is a public authority, the payment period does not exceed 30 days from invoice date to reduce the impact of potential compensation and interest costs.
22. During 2014/15 the Accounts Payable team received 228,986 invoices, totalling £1.6 billion.

## **Accounts Receivable**

23. This Accounts Receivable team is responsible for debt collection, cash allocation and query resolution. It creates and maintains customer accounts and ensures that invoices are generated accurately and on time. The team is responsible for collecting debt from a range of customers, including the public and commercial sector as well as individuals. Debt collection strategies are followed to reduce debtor balances and improve cash flow; issuing dunning letters as part of the debt collection routine.
24. Cash collection, allocation and reconciliations are completed in a timely manner to ensure any unallocated cash is identified and applied.

## **Business Support and Development**

25. The Business Support and Development Service was created with the launch of the EMSS organisation on 1 September 2012. It consists of two elements:
  - The Business Development team
  - The Systems Administration team

## **Business Development**

26. The Business Development Team have been established to support EMSS in two ways:
  - To provide support and leadership in efficiency and improvement work across the business where the impact will affect all areas of EMSS or the risks and complexities are significant;
  - To develop new business opportunities by identifying and securing new customers or by developing new services and value for existing customers.

## **Systems Administration**

27. The Systems Administration team was brought together in July 2012. Essentially the team manage and monitor the 'live' Oracle environment and deal with the following:

- Managing access to Oracle, including user accounts and responsibilities;
- Technical customer enquiries from both councils;
- Sending BACS payment files from both councils;
- Oracle System, UAT & Regression Testing;
- Maintenance and support of key systems, applications and processes
- Supporting procurement activities across both councils including training.

28. The team received 18,692 email requests for support during the 2014/15. The number of calls relating to iProcurement activities remains consistently the highest query type.

## **Strategic Objectives**

29. The three year Business Plan for EMSS was adopted by the Joint Member Committee in July 2012 and incorporated a vision to see EMSS becoming "*the best provider of quality, affordable and resilient support services to the public sector*". An updated plan covering 2015-18 is due to be approved at the Joint Committee in June 2015 and will include the following strategic priorities:

- Deliver excellent services to our customers;
- Increase levels of standardisation to support future business integration;
- Introduce quality performance management to provide clarity over who is doing what, where, how and at what cost;
- Support partners and customers to become 'intelligent customers' of EMSS;
- Enhance workforce development within EMSS;
- Operate highly efficient services, delivering savings targets;

30. To date EMSS have achieved £1.1million of the £2 million savings that were forecast in the original business case. EMSS are required to deliver a further £900k savings by 2017/18. It is projected that the ESC will contribute £503k, FSC £278k and Business Support and Development £119k to the overall savings plan. Due to the make-up of the EMSS budget it is estimated that the majority of the savings will have to be achieved through staffing reductions following the introduction of greater automation and standardisation of processes across the partnership.

31. Detailed analysis of the strategic and operational continuous improvement requirements within EMSS has enabled the EMSS management team to develop a programme of work from January 2015 which will transform service delivery and meet key strategic objectives, including the savings requirements. The Head of EMSS will provide a verbal overview of the programme (below) at the meeting.

<b>TRANSFORMATION PROGRAMME</b>		
<b>ORGANISATIONAL PRIORITIES</b>		
<ul style="list-style-type: none"> <li>• Customer Focus</li> <li>• Automation Technology / Self-Service</li> <li>• Optimise compliance with the end to end process</li> <li>• Workforce performance and development</li> <li>• Data analytics / reporting</li> <li>• EMSS culture and value</li> </ul>		
<b>SERVICE PRIORITIES</b>		
<b>EMPLOYEE SERVICE CENTRE</b>	<b>FINANCE SERVICE CENTRE</b>	<b>BUSINESS SUPPORT &amp; DEVELOPMENT</b>
<ul style="list-style-type: none"> <li>• Non-partnership payroll service</li> <li>• Payroll process automation and system development</li> <li>• Manager self-service</li> <li>• Employee self-service</li> </ul>	<ul style="list-style-type: none"> <li>• OCR Scanning</li> <li>• Debt Collection</li> <li>• Cash Allocation</li> <li>• OTRS and Oracle link</li> <li>• Request for payment</li> <li>• Request for invoice</li> </ul>	<ul style="list-style-type: none"> <li>• Automation of Control function</li> <li>• Website Development</li> <li>• Auto document generation</li> <li>• Online functionality</li> </ul>

### **Resource Implications**

32. The overall EMSS budget for 2015/16 is £4.5 million, of which £1.4 million relates to the Oracle system. EMSS are required to deliver £900k savings for 2017/18, which will be enabled by £565k system and process development investment costs during 2015-2017.

### **Conclusions**

33. As with any complex shared service organisation in its early stages of development, there remain areas for improvement related to process standardisation and automation. However, detailed plans are in place, aligned to the EMSS Strategic plan transformation programme, which will optimise performance in all areas of the business.

34. EMSS Joint Committee is fully aware of current organisational performance and improvement requirements through quarterly updates on service delivery standards and the projects within the transformation programme.

35. In conclusion, EMSS is an ambitious enterprise providing key services for the partners as well as external customers. It remains confident that it is enabling both Councils to respond to the challenging financial landscape for local government; as well as the partner's expectations to receive and sell services that are of high quality and value for

money.

### **Background Papers**

Shared Services with Nottingham City Council – Cabinet, 7 September 2010

East Midlands Shared Service: Procurement of Managed Hosting Service – Cabinet, 26 July 2011

East Midlands Shared Service: Consultancy Report – Cabinet, 13 September 2011

### **Circulations under Local Issues Alert Procedure**

36. None

### **Officers to Contact**

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### **Relevant Impact Assessments**

37. None

### **Equality and Human Rights Implications**

38. None.