



SCRUTINY COMMISSION – 15 JUNE 2016

EAST MIDLANDS SHARED SERVICE - DELIVERY AND PERFORMANCE

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. To provide the Scrutiny Commission with an update on the services provided by East Midlands Shared Service and its performance during 2015/16.

Policy Framework and Previous Decision(s)

2. In 2010 Nottingham City Council and Leicestershire County Council formed a partnership to jointly deliver HR administration, payroll and finance transactional services. The 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 HR and Finance staff across two locations. The EMSS Senior Management Team is led by the Head of EMSS, supported by three senior managers.
5. The Employee Service Centre is based at County Hall in Leicestershire and the Finance Service Centre at Loxley House in Nottingham. 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. Between September 2012 and December 2014 EMSS stabilised as an organisation; since 2015 it has focussed on the standardisation and automation of services and processes to support current partners, customers and future business integration.

East Midlands Shared Service – the organisation

7. In June 2015, the Joint Committee approved the EMSS Strategic Plan 2015-18 which includes 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.
8. To support the delivery of its strategic priorities EMSS have initiated and delivered a number of operational projects during 2015/16 under an overall programme governance structure; with the aim of transforming service delivery and meeting the savings requirements. The programme has also supported a number of organisational priorities, related to EMSS's customers, people, finance, operation and technology.

Customer Service Strategy

9. The key development during 2015/16 was adoption of a Customer Service Strategy at the Joint Committee in June 2015, this articulated the vision and priorities:

'To deliver excellent services ensuring we get it right first time every time and providing friendly and easy to access support when it is needed.'

- Having efficient and effective services and continually challenge ourselves to improve and providing better opportunities for customers to access services directly;
- ensuring that we continually improve customer pathways to work more effectively as one organisation;
- providing excellent customer support for requests and queries with helpful and friendly assistance;
- working co-operatively with partners and customers to continue to meet their needs.

10. The key activities during 2015/16 were:

- To identify a partner to assist the business in improving customer service;
- To improve the quality and quantity of customer feedback;
- To deliver training to every EMSS employee;
- To reward staff for excellent customer service.

People

11. Work on the people elements of the Strategic Plan were launched in October 2015 at the EMSS Staff Conference. The diagram below was used to explain the elements that combine to create the culture and experience of working for EMSS and how they directly impact on the business' ability to deliver.



12. Key activities during 2015/16 were:

- Identification of the leadership attributes required of an EMSS manager; which have been incorporated into the Personal Development Review.
- Establishment of staff 'Listening Groups' – an opportunity for every member of staff to meet with the Head of EMSS and share their views.
- Develop a reward and recognition package that will support the EMSS 'brand' and will sit comfortably within the Leicestershire employment framework.
- Introduction of PDR+. Its main feature is the assignment of an EMSS senior manager as a mentor who will review the individual's PDR and explore ways to further development their skills and knowledge.
- The development of a single page sheet (appendix a) which encapsulates the essence of EMSS as a business. It is the basis on which staff are assessed and helps everyone to understand what the EMSS' brand means, for them and our customers. It underpins the continued work on culture and will be integrated into job descriptions, person specifications and recruitment processes.

13. EMSS' Management Team has been awarded second place at the Shared Services and Outsourcing Network European Best Shared Services Team 2016 based on this culture change work. Other nominees include Microsoft, Diageo, Unilever and Tata Motors.



*Proudly a 2016 SSON
Excellence Awards finalist*

Finance

14. To date EMSS have achieved £1.65 million of the £2 million savings that were forecast in the original business case. EMSS are required to deliver a further £418k savings by 2017/18. Due to the make-up of the EMSS budget it is estimated that the majority of the savings will be achieved through staffing reductions following the introduction of greater automation and standardisation of processes across the partnership.

Technology

15. EMSS is the business owner of the shared IT platform, Oracle. Work is currently underway to understand the level of development required to optimise the current version of Oracle and introduce enabling technologies, e.g. E-invoicing and Intelligent Recognition of Data.
16. These development requirements will be incorporated into a partnership wide strategy for Oracle over the next 5 years. The current version of Oracle is supported until 2021, however it is important to plan ahead as there are a number of crucial decisions that will be required in the medium term.

Operation - Employee Service Centre

17. The Employee Service Centre (ESC) is responsible for HR administration, recruitment and payroll services. The ESC is made up of six teams, providing a range of employee related services.
18. 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. The Service Desk dealt with a total of 51,230 enquiries throughout 2015/16 and customer satisfaction rated good or excellent was 88%. The target for 'first contact' resolution was 75% and the service desk resolved 77% of contacts.
19. 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 1,700 adverts during this time and received 13,150 application forms. The Recruitment Team work on a turnaround time of 48 hours for placing adverts and is 97% compliant with this.
20. 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 38% 1-3 days, 92% within 7 days. 13k DBS checks were processed by the team in 2015/16

21. 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.
22. The Payroll teams manage 135 separate payrolls with the following payment volumes on a monthly basis:

As at April 2016	No of payments	Value of Payments £
Leicestershire County Council (includes agencies, pensioners, LCC schools and academies)	51021	33,107,624
Nottingham City Council (includes schools, academies and pensioners)	12344	14,732,609
Total per Month	63365	47,840,233
Total Per Annum	760380	574,082,806

23. Current service levels within the ESC are high; although the savings and income profile for the service in 2017/18 is considerable and without careful planning could impact upon performance. The overarching challenge for the service is the provision of efficient and cost effective services to external customers. The current processes and systems are varied and inefficient and identifying a workable solution is crucial to the strategic direction of the ESC. The service depends upon the successful deployment of a solution to achieve savings, increase business to support the long term viability of the service and continue to reduce costs to the partnership.

Operations - Finance Service Centre

24. 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 52,143 telephone queries and 39,039 e-mails enquiries during 2015/16. 64% of customers rated the service as good or excellent.
25. The Accounts Payable (AP) 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.

26. 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.
27. During 2015/16 the AP team received 204,360 invoices, totalling £1 billion. However, the service performance levels remain lower than agreed, with some customers experiencing issues related to data accuracy and timeliness of processing. The challenges are a combination of people, process, system and partner/business compliance issues. In response, the FSC management have initiated a full review of the 'Procure to Pay' process within the FSC and both Partners. Throughout 2016, recommendations for improvement will be implemented and performance levels monitored.
28. The Accounts Receivable (AR) 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. The team have made considerable progress since 2014, reducing the overall LCC debt position from £4.3 million to £2.6 million by March 2016.
29. The largest debt reductions achieved in 2016 were against individuals (high risk) where past due debts reduced from £107,510 to £56,540 (62% reduction) and the education sector reduced from £452,160 to £379,628 (17.44%), representing a combined past due debt decrease within both areas of £123,502. The debt reduction target for 2016/17 is £1.1million.
30. The service performance levels within some areas of the FSC remain lower than agreed.

Strategic Direction

31. EMSS are keen to gain a better understanding of the public sector shared services market and the trading opportunities that are available to them. Therefore, during the next few months EMSS will be working with Local Partnerships (A joint venture between HM Treasury and the Local Government Association), who have up to date knowledge in this area as they have recently undertaken a review of all significant public to public shared service providers (including EMSS) in national and local government.
32. It is proposed to discuss the future options for the development of EMSS with the partner Councils and Joint Committee in autumn 2016.

Resource Implications

33. The overall EMSS budget for 2016/17 is £4.2 million, of which £1.6 million relates to the Oracle system. EMSS are required to deliver £418k savings for 2017/18.

Conclusions

34. EMSS made significant progress during 2015/16 in improving performance levels and operating more commercially; delivering the planned savings of £526k.

35. The Employee Service Centre is stable and high performing; however the Finance Service Centre still requires further improvement in terms of process compliance and standardisation.
36. The organisation remains committed to continuous improvement and detailed plans are in place, aligned to the EMSS Strategic plan transformation programme, which will optimise performance in all areas of the business.
37. 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.
38. Plans regarding the future of EMSS will be developed and agreed during 2016; in order to deliver 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

None.

Appendix

Appendix A - EMSS Vision

Officer to Contact

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Equality and Human Rights Implications

None.

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