



**SCRUTINY COMMISSION – 7 MARCH 2018**

**EAST MIDLANDS SHARED SERVICE - 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 Service and its strategic priorities during 2017.

**Policy Framework and Previous Decisions**

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 Director of Finance.

**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. Supported by an Oracle Enterprise Resource Planning System, the Shared Service offers a sustainable solution to deliver efficient, cost effective services.
5. In 2015, the Joint Committee approved the EMSS Strategic Plan 2015-18. Whilst the plan and overarching strategic priorities are still relevant, in June 2017 the Committee received a one year plan detailing the specific priorities for EMSS during 2017/18.
6. Work is currently underway drafting a new plan that will take EMSS forward over the next 3 years, 2018- 2021.

**Strategic Direction**

7. The current strategic plan confirmed that during 2015 and 2016 EMSS would work to lay the foundations for future years – consolidating and improving services and increasing the value EMSS delivers to its customers. It stated that from 2017 EMSS would focus on growth. During last year EMSS focused on two new business opportunities:

### **Potential partnership working with Nottingham University Hospitals (NUH)**

8. As part of their assessment of the options available for providing financial, payroll and procurement transactional services, NUH approached EMSS.
9. NUH had determined that whilst there is a do nothing option, which involved NUH becoming the most cost effective provider of these service to NUH; the Sustainability and Transformation Partnerships (STP) / national steer is that the days of dedicated in-house financial services models are numbered within the NHS, even for an organisation the size of NUH and consolidated shared service centres are considered to be the way forward.
10. A feasibility study conducted by NUH suggested that EMSS was the best overall option and following approvals within each organisation, work commenced on developing a full business case which will explore a two-phase approach. Phase one will be a period of collaboration looking to maximise the leverage of the combined resources. Should this phase prove successful then work would commence on creating a single, merged entity. The business case for Phase 1 will be produced in Quarter 4 with a view to seeking approval early in 2018/19.
11. Both organisations believe that the STP provides an excellent catalyst to explore new ways of working and can see the significant opportunity to mutually benefit from working collaboratively. EMSS has the opportunity to expand into a new sector including other NHS organisations, using the experience of NUH. NUH has the opportunity to hit the ground running to join a well-established and successful local shared service centre whilst continuing to use its own core HR (ESR) and Financial systems (Integra).

### **Direct Payments Payroll Service**

12. In March 2017, EMSS were approached by Nottingham City Council, regarding the provision of payroll services to citizens in receipt of Direct Payments.
13. Following concerns regarding the quality and consistency of Employment, Managed Account and Payroll Support providers, Adult Social Care had undertaken a project to consider whether there should be an insourced method to manage this process. It had been identified that £¾ million was being spent on these services, and there was concern whether the spend was cost effective or of sufficient quality for citizens.
14. A proposal for an insourced Employment and Managed Account Support service and a tender for a single Payroll provider with significant cost reductions went to NCC Commercialisation Board in January 2017. The Employment Support and Managed Account service was approved, but the Board asked for consideration that EMSS be given opportunity to provide a Payroll Service to citizens receiving Direct Payments.
15. The current annual expenditure for payroll services is £192k, covering payments to approximately 750 individuals. Whilst citizens may choose to remain with their current provider, it is anticipated that the new payroll service could expect to bring on 250 employers in year one. Payroll services of this nature are a potential growth area as CCGs across the country prepare to expand the availability of Personal Health budgets.

16. EMSS did not have any expertise in this specific sector however; following discussions with Leicestershire County Council during 2017, the Personal Budget Payroll Team within Adult Social Care and their payroll system (SAGE) have recently transferred into EMSS. The plan is to settle the team into their new environment, assess the effectiveness of the service and in the summer 2018 establish a partnership offering, which can be marketed more widely once it has delivered robust performance.

## **Technology**

17. EMSS is the business owner of the shared IT platform, Oracle. During 2017; the partnership formed the 'Fit for the Future' programme in response to two key milestones in relation to the current platform – the end of the current hosting contract in 2019 / 20 and the support for the Councils' current version of Oracle in 2021.

18. The current software version has a large amount of customisations with not all the standard functionality available within the software being utilised across both Councils. The impending contract end dates have provided the partnership with the opportunity to go beyond a system upgrade to invest in a new solution with considerable business transformation and associated changes to working practices.

19. The benefits to EMSS of a new system and a more transformational approach to implementation are vast. The procured software will enable greater standardisation and automation of processes across our customer base, simplify the on boarding of new customers, allow us to embrace new digital ways of working and reduce the current prohibitive licensing restrictions.

20. The Oracle Cloud, Software as a Service solution will also provide EMSS with a first class platform upon which to build the business, placing the shared service on an excellent footing system wise as the current system and associated processes has always hampered EMSS' ability to realise commercial opportunities.

## **Operational Performance - Employee Service Centre**

21. The Employee Service Centre (ESC) is responsible for HR administration, recruitment and payroll services. The ESC is made up of eight teams, providing a range of employee related services:

22. 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 46,308 enquiries throughout 2016/17 and customer satisfaction rated good or excellent was 90%.

23. 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 1,970 adverts during 2016/17 and received 12,964 application forms. The Recruitment Team work on a turnaround time of 48 hours for placing adverts and is 99% compliant with this.

24. 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. 11.5k DBS checks were processed by the team in 2016/17.

25. Two 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.
26. The Payroll teams manage 144 separate payrolls with the following payment volumes on a monthly basis:

<b>As at April 2017</b>	<b>No of Payments per annum</b>
County Council (includes agencies, pensioners, LCC schools and academies)	609,315
Nottingham City Council (includes schools, academies and pensioners)	148,230

27. The most challenging area of service delivery is the payroll service to schools and academies due to the changing nature of the education sector and the development of multi academy trusts. This market does continue to be strong for the service, with the ESC gaining 14 former Leicester City Academies during 2017.
28. 2017 was a successful year for the payroll team in the Payroll World Awards, winning the Rising Star Award for one of the ESC Apprentices and gaining finalist status for customer service and seamless service delivery across the ESC.

### **Operations - Finance Service Centre**

29. The Finance Service Centre (FSC) is responsible for transactional finance activities - Accounts Payable and Accounts Receivable. The FSC dealt with a total of 79,972 enquiries during 2016/17. Currently, 79% of customers rated the service as good or excellent.
30. 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 40,000 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.
31. 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.

32. During 2016/17 the Accounts Payable team received 201,180 invoices, totalling £962 million.
33. 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 and £1.6 million by December 2017.
34. The performance of the FSC could be improved further; as illustrated by the outcomes of the implementation of an electronic scanning solution. The system is designed to improve invoice processing time and reduce the manual intervention required, however it has highlighted that the FSC continues to receive challenges from both suppliers and partners on the enforcement of invoice compliance across both authorities. The percentage of rejected invoices remains an issue.
35. It is anticipated that the FSC will benefit hugely from the partnership wide focus on standardisation, automation and process compliance within the 'Fit for the Future' programme.

### **Resource Implications**

36. The overall EMSS budget for 2017/18 is £3.7 million, of which £1.6 million relates to the Oracle system.

### **Conclusions**

37. EMSS made significant progress during 2017 in improving performance levels and operating more commercially.
38. During 2017 EMSS embarked fully on realising its vision to 'deliver quality, affordable and resilient support services to the public sector'. The potential partnership with NUH would be a 'leading edge' for back office services across local government and health - developing a joint offering across the East Midlands under the EMSS brand.
39. The Direct Payments service offering is in line with the vision for EMSS and an excellent example of joint working and the benefits of shared services.
40. 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. The 'Fit for the Future' programme and new Oracle Cloud solution are crucial to realising the full benefits of a finance shared service.
41. The EMSS Joint Committee is fully aware of the strategic priorities for the organisation, current organisational performance and improvement requirements through quarterly updates.

### **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 Service: 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 Service: Consultancy Report – Cabinet, 13 September 2011

<http://politics.leics.gov.uk/documents/s56198/M%20-%20East%20Mids%20Shared%20Servs%20consultancy%20support.pdf>

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

None

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

None.

### **Officers to Contact**

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