



SCRUTINY COMMISSION: 30 OCTOBER 2019

EAST MIDLANDS SHARED SERVICES – PERFORMANCE UPDATE

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of report

1. To provide the Commission with an update on the performance of East Midlands Shared Services and its strategic priorities during 2018/19

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.

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 7 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 £2m savings since 2012, meeting the expectations of the original business case. Pay award pressures have had a significant impact on the budget and further efficiencies will be required from 2021 onwards.
7. On the basis of the audit work undertaken during 2018/19, 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 – 2018/19

8. EMSS is the business owner of the shared IT platform, Oracle. During 2017, the partnership formed the 'Fit for the Future' programme to determine the plan for when the support for the current system ends in 2021. In April 2018, the partnership procured Oracle Cloud and commenced the implementation of the new system in July 2018.
9. The new system offers a broad range of enhanced functionality that should provide for improved user experience and greater take-up of self-service. The work required to successfully implement these improvements cannot be over stated and the benefits may take some time to be fully realised.
10. Equally, as the system implementation impacts every aspect of the shared service operation, the risks of such a programme are large and complex. They are being closely monitored by the partnership-wide programme steering group and board however some risks, such as improvements to functionality required by the partnership are reliant on Oracle to deliver in a timely manner. On the current timeline it is anticipated that by July 2020, EMSS and the partner councils will have implemented all the new modules across HR, Payroll, Finance and Procurement. The system will also be utilised by the Employee Service Centre's external customers, i.e. schools and academies.
11. As part of the contract for Oracle Cloud, EMSS negotiated the ability for EMSS to offer licenses and support services to other public sector organisations. As a result of some joint publicity, EMSS have been approached by interested parties and work is underway to confirm our offering.
12. A formal proposal to collaborate with Nottingham University Hospitals (NUH) was agreed by the EMSS Joint Committee in May 2018. The purpose of the collaboration is to:
 - Provide mutual support in delivering services
 - Provide challenge and new ideas in continuous improvement activity
 - Seek new business opportunities in the health sector
 - To explore the benefits of creating a merged business

Work is well advanced and NUH have chosen to rebrand their Finance and Payroll services as EMSS Health.

13. During 2018, the Employee Service Centre (ESC) successfully implemented a new solution for the pensioners payroll as a result of the Leicestershire Local Government Pension team procuring a new system for their administration. The project delivered to its deadlines and had a smooth 'go live'. The ESC worked effectively with pensions colleagues and further work is currently underway to streamline the immediate payments process, e.g. lump sum payments.
14. EMSS incorporated the Direct Payments Payroll service from Leicestershire County Council's Adults and Communities department into the ESC in February 2019. Within 9 months, the team was able to offer a service to Nottingham City Council citizens and has recently secured a place on a framework for Durham County Council. EMSS will continue to look to expand the service further, as it offers value for money for not

only the Council but those service users in receipt of direct payments who employ their own carers.

15. The Finance Service Centre was awarded the Best Shared European Shared Services Team at the SSON Excellence Awards in 2018; in recognition of its team work in implementing a range of improvement projects, including an invoice processing portal that had a significant impact on performance. This was important recognition for a team, which had progressed significantly from a challenging beginning when EMSS was initially formed.
16. The Fit for the Future Programme has created a significant burden of additional activity that the business has worked hard to absorb without detrimental impact on the day to day operation. Thus far, the operational performance of the teams during 2018/19 demonstrate services levels have been maintained and, in some areas, even improved. However, despite the additional scrutiny on performance, there may be fluctuations in performance across the go-live period.

Operational Performance – 2018/19

17. The Employee Service Centre performance during 2018 remained high throughout the year. The team is well established and stable; delivering excellent payroll accuracy rates, contract processing accuracy, DBS check completion and recruitment processes.
18. The performance of the team is enhanced by the number of qualified staff and payroll apprentices. During 2018, the ESC had six former apprentices who are permanent members of the team and four staff working through their first apprenticeship year. The ESC is recognised nationally for its training and was asked during 2018 to consider offering it to other employers on a commercial basis. As a result, the ESC is now providing training to employees of public sector organisations across the UK.
19. The Finance Service Centre performance across the Accounts Payable and Accounts Receivable functions was good in 2018. Invoices are paid on time, request for payments are processed immediately, credit balances are dealt with, past-due debt is actively collected, and cash is allocated to the correct budgets.
20. Each month, Key Performance Indicator reporting packs are discussed with the partners, allowing them full visibility of the areas and tasks that EMSS is responsible for delivering. The partners have the ability to see month on month and year on year movement; which enables EMSS to jointly agree areas for improvement, highlight specific departmental issues and successes.

Resource Implications

21. The overall EMSS budget for 2018/19 was £4m, of which £1.6m relates to the Oracle system.
22. Pay award pressures from the last two years have created an unanticipated budget pressure and left the business in a challenging position at a time of high resource demand due to meet the demands of the Fit for the Future Programme.

Conclusions

23. During 2018, EMSS performed in line with service level agreements across all services.
24. The Fit for the Future Programme was the key priority during 2018. It will continue to be so until the system 'go-live' in 2020, the services have stabilised, and the business change is embedded across the partnership.
25. The EMSS Joint Committee is fully aware of the strategic priorities for the organisation and performance is reported on a quarterly basis.

Background papers

26. Shared Services with Nottingham City Council – Cabinet, 7 September 2010
<http://politics.leics.gov.uk/documents/s47156/E%20-%20Shared%20Services.pdf>
27. 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>
28. 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

29. None

Equality and Human Rights Implications

30. None

Other Relevant Impact Assessments

31. None

Appendices

32. Appendix A details the strategic priorities for EMSS 2019/21

Officer to Contact

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