



SCRUTINY COMMISSION – 9 NOVEMBER 2022

EAST MIDLANDS SHARED SERVICES ANNUAL PERFORMANCE UPDATE

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. The purpose of this report is to provide the Commission with an update on the performance of East Midlands Shared Services in 2021/22.

Policy Framework and Previous Decisions

2. In 2010, Nottingham City Council (NCC) and Leicestershire County Council (LCC) 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 Assistant Director of Finance, Strategic Property and Commissioning. 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 10 years the Service has delivered £1.8m savings, meeting the expectations of the original business case. The Service has continually sought opportunities to optimise the efficiencies through continuous improvement projects, digitisation of processes, robust performance management and improved customer service focus.
6. The Service operates on a shared IT platform. In 2018, the partner Councils procured a replacement system, Oracle Fusion Cloud, and commenced an implementation programme, 'Fit for the Future', across HR, Payroll, Finance and Procurement. The programme completed in March 2022 with the implementation of the new system across the two Councils and EMSS.

7. In September 2021, the Joint Committee agreed the Strategic Plan for EMSS. The Plan is underpinned by three key themes: stabilisation, optimisation and development with the following priorities for EMSS until 2025:
- Deliver a great experience for all users, with systems and processes that are intuitive, easy to use, and digitally enabled. **(Customer)**
 - Deliver quality, affordable services **(Operations)**
 - A supportive and flexible work environment, encouraging creative problem solving, continuous professional development and career opportunities **(People)**
 - Deliver value for money through improved systems, services and processes which support enhanced productivity and reduce overall costs. **(Finance)**
 - Leveraging technology to deliver existing services securely and reliably and supporting improvement and growth within service areas. **(Technology)**
 - Expand our customer and/or service portfolio. **(Growth)**
8. The priorities were agreed against the following partnership vision and ambitions for EMSS:
- Recognising the significant investment in technology, Nottingham City Council and Leicestershire County Council stated that over the next three years they want EMSS to transform, alongside its partners, end-to end service provision, embracing modern technology and techniques to provide a more engaging user experience so that it is easier to do business with.
 - That the service EMSS provides should operate efficiently in the background, supporting managers and staff, allowing the partners to focus on achieving their priorities and outcomes for the communities they serve.
 - That by 2024 EMSS will have a reputation for focussing on quality service delivery and will have successfully implemented and embraced the opportunities within its core technology - Oracle Cloud Fusion.
 - Only once this ambition is realised is it appropriate to consider expanding EMSS.
 - That throughout the period of the plan EMSS intends to continue improving services, reducing costs and developing its offering, recognising that a careful balance of priorities, risks and resources will be needed to meet its own and partners' ambitions.

Overview

9. EMSS commenced 2021/22 optimistically and was looking forward to completing the Fit for the Future programme and entering a period of stabilisation during which the service could refocus on improving the efficiency of the service provided.

10. EMSS were however disappointed during 2021/22 about the ongoing issues with the IT system implementation and the impact on the service - its performance, customer satisfaction rates, and reputation.
11. The payroll service particularly suffered due to functionality gaps within the new system. As more payrolls were transitioned onto the new system during 2021/22, the number of issues and queries increased. The two Councils within the EMSS partnership have held the system provider to account on these issues but until they are fully resolved the functionality gaps continue to have an ongoing impact on the service's ability to deliver as expected. The system has several workarounds in place which has caused the EMSS team some difficulties and required manual interventions to ensure processes run correctly.
12. Whilst it is important not to downplay the issues and the impacts on individual members of staff, it should be noted that as a percentage, the overall numbers of staff affected were very low, with 0.2% (approx. 268) affected and any issues with under or over payments have been rectified immediately.
13. Despite the problems, there were numerous successes for EMSS during 2021/22:- multiple smooth 'go-live' transitions, the implementation of a new customer query management platform, the delivery of the pay award for staff in March 2022 with 3 weeks' notice, avoiding the impact of the changes to National Insurance rates, and the Finance Service Centre's work to move into business as usual and start some major improvement projects - insourcing debt collection, improved invoice processing and automated supplier verification.
14. EMSS managers have juggled multiple priorities and operational issues and staff have dealt with all the change that they have faced with determination. Service delivery has and continues to be tough, but the culture and people within EMSS are resilient and there is total confidence in the organisation's ability to restore its reputation and services to previous levels and beyond.
15. The dashboard attached as an Appendix to this report shows the performance and trends for 2021/22, with the information below detailing the highlights and challenges for EMSS related to that performance.

Priorities and Operational Performance

Finance Service Centre

16. LCC successfully implemented its finance module in November 2020 and NCC followed in April 2021. The finance modules performed as expected, with a few exceptions that were quickly resolved. As expected with any large-scale implementation they were some 'go live' impacts and issues.
17. Despite communications and training opportunities for staff and manager (which unfortunately had to take place during covid restrictions and remote working for LCC), in the periods after the go lives, there was a very steep rise in calls and emails to the Finance Service Centre service desk as users adjusted to the new system and processes. It also took a little while for departments to adequately advise their new suppliers of the registration process, creating

pressure on the Service Desk. In response, LCC set up an Improvement Group to deliver more detailed face to face sessions to high end users across the business.

18. Overall, the finance system was stable, and the Finance Service Centre (FSC) was able to focus on reducing backlogs and embedding the new processes within the team and wider user group quickly. This enabled the FSC Management Team to focus on new projects, including a replacement invoice processing system.

Employee Service Centre

19. Performance in the ESC was within the targets set out in service level agreements (SLAs), with the exception of the Service Desk where very high query volumes resulted in response times falling out of SLA (these issues are explored in more detail in the section on Customer Service below). The number of payroll payments remained constant throughout 2021/22, paying on average 33,500 staff and 29,000 pensioners each month and the service achieved 99.8% accuracy. However, this figure is historically based on the number of emergency payments made as a result of an EMSS error and does not include all the issues some individual colleagues experienced with their pay for example, pay elements not functioning as expected or the system failing to upload timesheets or to produce error reports.
20. Reduced resource capacity in the ESC team due to staff turnover / redundancies, especially the impact of losing some of the more experienced staff, led to high volumes of customer queries in backlog and large numbers of duplicate queries as staff / managers attempt to contact the ESC multiple times as they had not received a response. This is no longer an issue and volumes are managed effectively.
21. The Employee Service Centre operated two systems until the final payroll 15,000 records were migrated onto the new system in January 2022.
22. It also takes longer to close the payrolls each month, with resulting knock-on impacts to 'control activities', e.g. reconciliations. This was highlighted in the payroll audit.

Customer Service

23. The notable change for customers in 2021/22 was the introduction of the Freshdesk system, an integrated platform for managing customer queries.
24. The entire implementation, from the establishment of the project team to a full roll out and training to end-users was completed within a six-week window and has provided enormous benefits to the business.
25. To make best use of the system's automations and redirections, EMSS no longer accepts emails from internal colleagues – instead, they are asked to log queries via the support portal. This auto-classifies the ticket, suggests helpful

articles, and directs the ticket within Freshdesk to the relevant team. As a result of introducing the internal email block, over 800 tickets per month which were previously unclassified are now processed more effectively.

26. EMSS has also made effective use of automations to instantly direct tickets to the relevant team as well as working with customers to ensure first-contact resolutions wherever possible. Over a hundred emails a week are auto-generated asking for contacts to provide key details to ensure EMSS agents have the required information. Over fifty queries a week are now auto closed with relevant guidance issued to customers (with the opportunity to reopen the ticket if the guidance does not resolve their query), reducing unnecessary contact with the team.
27. Key metrics from the project include:
 - Creation of 190 self-serve knowledge base articles for customer use
 - Creation of 115 automations to ensure efficient ticket direction and resolution
 - 95 canned responses created to streamline responses to customers
 - 37,000 article views on the knowledgebase
28. Despite the innovations from the use of Freshdesk the service desks were overwhelmed by the number of queries (see charts in Appendix) which led to long wait times for non-urgent queries. Added to the frustrations of users of the new Oracle system, the result was poor customer service. On average customer satisfaction across the year was 20 points down from 2020/21.

People

29. The key 'people' priorities for 2021/22 were to manage the transition away from the restrictions of the pandemic and address the level of change affecting staff health and wellbeing.
30. The Quarter 3 Joint Committee report detailed the results of the 2021 Staff Survey for EMSS colleagues. In summary, in 2020/21 staff were much happier than they were in 2017 but less happy than in 2019. The impact of the pandemic and long Oracle implementation programme and related stresses had taken their toll on staff satisfaction rates.
31. To address the concerns about staff welfare, the EMSS Engagement Strategy has been reviewed. There were several changes made including new format monthly newsletter, new format all staff briefings, regular listening group sessions with a member of the senior management team and a new starter network.
32. Staff turnover also presented itself as an issue for the first time in 2021/22. Rates have always been low across the business. The increase was result of two elements; firstly, staffing reductions agreed as part of the budget were implemented in the first quarter of the year. Secondly there was a large number of resignations, especially in the ESC, probably as a result of the combination

of low morale and a spike of new opportunities available at the end of the lockdown restrictions.

Audit outcomes

33. Nottingham City Council Internal Audit (IA) is the designated provider for EMSS. EMSS managers are responsible for ensuring that proper standards of internal control operate within the organisation. The NCC Internal Audit service undertakes reviews of the internal control procedures in respect of the key systems and processes run by EMSS on behalf of itself and its clients. The Annual Audit Plan continues to focus in these areas.
34. The Audit Plan is agreed annually and reported to LCC and NCC governance committees. The IA team meets regularly with the EMSS Management Team and provides details of findings and assurance to its Sponsors.
35. The impact of the system implementation is reflected in the audit outcomes for EMSS. Based on the audit work undertaken, the Head of Internal Audit at Nottingham City Council concluded that ‘only a “limited” level of assurance could be given that internal control systems were operating effectively within EMSS and that no significant issues had been discovered. This opinion is influenced by the ongoing concerns that exist within the Payroll function and the fact that there have been limitations placed upon the competition of our work programme’.
36. The fieldwork in respect of the Payroll/HR and System Admin / Access Controls was carried forward to 2022/23, with final reports being issued in June/July 2022.
37. A summary of the work completed, and the associated level of assurance is provided below.

Audit	Focus	2020/21 Outcome	2021/22 Outcome
Payroll	System Control and Processes	Significant Assurance	Limited Assurance
Accounts Receivable	System Control and Processes.	Moderate Assurance	Significant Assurance
Accounts Payable	System Control and Processes.	Significant Assurance	Moderate Assurance
System Admin and access controls	System Control and Processes.	N/A	Moderate Assurance

38. The Finance Service Centre (FSC) was pleased with the improvement to the Accounts Receivable outcome, with the audit recognising the benefits of the new system and processes, stating the direction of travel as being ‘increased

assurance'. The outcome of the Accounts Payable audit was however disappointing, as the review/testing found no areas of concern. However, 'audit's ability to undertake all planned testing was limited due to difficulties with accessing the necessary information and much of the testing undertaken was very much dependent on the assistance of the FSC. It is hoped that access to all areas will improve for the next audit and more assurance provided as a consequence of our work'. The access issues have been rectified for the 2022/23 audit and EMSS are confident that the outcome will return to 'significant assurance'.

39. In addition, Grant Thornton (the Council's external auditors) published its report on IT General Controls for the Finance system. The report identified one issue, that three consultants working for the EMSS Implementation Partner (Evosys) had full access to Oracle Identity Cloud Service (IDCS). This is a system that manages the security into Oracle allowing the partners to set different access requirements based on risk. This means that those staff logged onto the LCC network can access Oracle via single sign-on. External users with access to more than just self-service require two factor authentication. At the time of the audit the final cohort of payroll customers had only just been completed and access was required to complete the implementation and after-care work. As implementation of the core modules is complete this access has now been revoked.
40. The recommendations from all the audits were reviewed and reported to Corporate Governance Committee by officers at LCC. In addition, an NCC Internal Audit colleague is attending the Committee in November to answer any questions.

Resource Implications

41. The overall outturn position for EMSS on 31st March 2022 (period 12) was £4.65 million, which represents an overspend of £22,000 (or 0.5%) against the budget for the year.
42. A refreshed Medium-Term Financial plan was presented to EMSS Joint Committee in March 2022. It detailed the projected budget requirements for the next 3 years and commitments on how the partnership would manage the funding of EMSS.































Looking forward – 2022/23




















43. To meet the objectives of the Strategic Plan and improve service delivery, a Transformation programme has been developed in 2022 to ensure that focus and momentum is maintained on delivering continuous improvement and efficiencies – ultimately to deliver 'value for money' for partners. The Programme has two main strands:
 - Organisational Priorities – to address issues and challenges that are EMSS-wide. These will focus on activities to improve well-being and engagement as well as embedding good cultural practises in every team.







- Service Priorities – improvement activity that is focused on specific services or teams and will include the work to stabilise the Oracle platform.

44. There is an ambitious programme of projects, with the main restraints being the resource needed to manage them and the service's ability to respond. The service priorities are currently taking precedent as it is felt that by removing the causes of workplace stress and then implementing changes to support colleagues, this should prove a more effective approach for sustained improvement.

45. The table below shows the projects that have formed part of this Programme since it was launched last year. The associated key outlines the benefits of each project:

Project	Benefits	Description	Status	Q2 Update
Benefits Key				
		Stat / Policy Requirement		Cost Savings
		Customer Experience		Staff Welfare
		Process Improvement		Automation
HCM and Payroll Stabilisation	     	Ensure functionality is working correctly and best practice processes adopted		An external partner (Namos) has been procured and is ready to start early in Q2 for the health check. Work continues with Evosys & Oracle to resolve payroll issues.
HRA – NCH & NCC Reorganisation		The move of NCH staff and some functions to NCC		Work is on-going to scope the work needed. The move is slated for 1 st April 23 but this is a challenging deadline
Invoice Data Capture & Validation Project	   	An automated invoice processing solution to replace the current system		Implementation has started with joint workshops. The project is on target
In house Debt Collection	   	To in-source the service and increase its scope and processes		Although external recruitment has been slow some internal candidates have been identified and work will start in Q2.
Supplier Portal roll out	   	A self-service module for suppliers to manage invoices and payments		Work continues to move suppliers onto the portal. Also looking to accelerate the pace.

Project	Benefits	Description	Status	Q2 Update
AR Customer Portal Bill Management		Self-serve portal to get copy invoices and view account		Still waiting on some design fixes
Activity Based Costing - FSC		To record FTE resource used on all FSC activities		This work will be undertaken around other projects
Oracle Recruiting Cloud		Implement the recruitment module		Some major issues identified in UAT putting the project on hold
Review of Schools/Academy SLAs / contracts		Ensure that contracts and SLAs are in line with new system and processes		Delays in finalising payroll processes are impacting on completion
Oracle Support Model Development		A new support portal based on Freshdesk to allow self-serve and raise tickets		Some processes in place but work has slowed to allow focus on some serious issues – the portal is now under development
Managed Service Provider tender		To identify a supplier to support, maintain and develop the Oracle platform		The tender was published in Q1, but this is some 6 months behind schedule. All efforts are being made to make up time
Website Redesign		New EMSS website to be a gateway to services for customers		A preferred supplier has been identified the budget is available and work should begin in the Autumn
FreshDesk - onboarding of LCC Finance		LCC Finance Team will also adopt FreshDesk to manage queries		Implementation going well, some delays due to year end and other pressures on Finance colleagues
FreshDesk Business Case/improvements		To use the full range of capabilities of the new system		Improved automations and canned responses as well as developing
MCR replacement of MDC		Moving to the new Teacher's Pensions reporting format		Pensions is an area of concern on the new Oracle system

Project	Benefits	Description	Status	Q2 Update
Systems Admin Process Mapping		Ensure all processes are fully documented		Work was delayed due to resource and heavy workloads in Sys Admin
Developing EMSS Staff		Ensure all staff get an APR and the support they need personally and professionally		Plans are in place to begin a cascade of APRs in Q1/2. Work has begun to improve career pathways for all staff.
Performance Reporting		Improve reporting capability and measures. Automate and improve use.		This has been brought forward as work on automating data has begun as well as revised format for Joint Committee.

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

46. None.

Equality and Human Rights Implications

47. None.

Appendices

EMSS Performance Dashboard

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