



SCRUTINY COMMISSION – 6 SEPTEMBER 2023

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 a summary of the performance reported to the Joint Committee of East Midlands Shared Services for 2022/23 and an update on progress against strategic priorities in 2023.

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. The Service operates on a shared IT platform. In 2018, the partner Councils procured a replacement system, Oracle Fusion, 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.
6. The Strategic Plan for EMSS is underpinned by three key themes: stabilisation, optimisation and development with the following priorities having been identified 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)**

Performance Summary

Finance

7. The overall outturn position for EMSS on 31st March 2023 (period 12) was £4.63 million, which represents an underspend of £101,000 (or 2.1%) against the approved budget for the year (pre-pay award confirmation).
8. A refreshed Medium Term Financial plan (MTFP) was presented to EMSS Joint Committee in December 2022. It detailed the projected budget requirements for the next 3 years and commitments on how the partnership would manage the funding of EMSS.
9. The MTFP confirmed that EMSS would carry out 'Best Value' reviews on its services in 2023-24 to determine whether the shared service still offered value for money to the partner Councils, or whether alternative delivery models should be considered, e.g., outsourcing. Work has commenced on the review of the Finance Service Centre, with the findings due to be reported to the EMSS Joint Committee in December. The review of the Employee Service Centre will follow in the new year. The relevant committees in both Councils, will also receive reports on the outcome of the reviews.

Growth

10. Historically, the Employee Service Centre (ESC) has provided HR administration and payroll services to approximately 200 schools and academies. However, following a detailed analysis of the service, involving EMSS, HR, Procurement, Finance and Legal colleagues, the Joint Committee determined in January 2023 that it was no longer viable and in the interests of the partner Councils to continue to provide the service.
11. The service had traded successfully since the formation of EMSS 13 years ago. Whilst alternatives have always been available to schools and academies the EMSS offer was competitive, and it was not uncommon for leavers to return. However, EMSS is not a dedicated education payroll provider and inevitably the

external market has developed its offer to the extent that EMSS could no longer compete.

12. The Joint Committee therefore reluctantly requested that EMSS withdraw from the education sector market, allowing the ESC to concentrate on the service delivered to the partners. Notice was served to education customers in February 2023 and schools and academies will have all transitioned to alternative providers by September 2023.
13. It has been agreed that the Employee Service Centre should continue delivering the level 3 apprenticeship programme, which EMSS offers not only to EMSS staff but on a commercial basis to public and private sector employers nationwide. In the public sector the team are working with large utility providers, emergency services and local authorities spread geographically from Dorset to Northumberland. Indeed, the flagship partnership with Northumberland Council is based on an intention from them to put their entire team through the programme.
14. The apprenticeship programme is an excellent example of departmental co-operation, as it's delivered in conjunction with the Leicestershire Adult Learning Service (LALS), with a financial benefit to both services.
15. The Finance Service Centre (FSC) have also expanded their current offering through the transition of sundry debt collection back into the service. Until January 2023 the sundry debt for both LCC and NCC was outsourced to Thornton Hope. However, the decision was taken in 2022 alongside the implementation of Oracle Fusion and the Advanced Collections module, to bring sundry debt collection back in house. The timetable for this transition is:
 - Phase 1 complete January 23 (transition of public sector and education debt).
 - Phase 2 to be completed by July 23 (business and individual debt)
 - Phase 3 (consumer/ Individual debt) to be completed in January 2024.
16. LCC have already benefitted significantly from insourcing sundry debt this year. For example, for the same cost, in-house collectors work across all accounts rather than the top 80% that were previously covered. They are also proactively chasing payment on upcoming due invoices rather than waiting for debt to age before customer contact is made. The increased performance is demonstrated in the value of past due (over 30 days) debt, which has decreased by 55% from December 2022 to June 23.
17. A business case has also been developed in conjunction with LCC finance colleagues, recommending that the FSC provide LCC Adult Social Care debt recovery services from 2024/25. If approved, this will be a new service and sector for EMSS and enable LCC to gain greater benefits from the shared service operation.

Customers

18. As predicted and previously reported to this Committee, customer service ratings were adversely affected by the implementation of Oracle Fusion. During 2021/22 satisfaction rates averaged at 60% due to the high number of queries being received and the resultant length of time taken to respond to customer questions. In Quarter 1 of 2022/23 the number of customers rating EMSS's services good or very good was 58%. However, during the year rates improved and in Quarter 4 the satisfaction rate was 74%. The target is 80%.
19. During 2022/23, overall, there was also a reduction in the time taken to resolve queries from 8 days at the start of the year to 3 days in March 2023. The measure is linked to the volume of tickets that breach the 'Service Level Agreement' (SLA) for that service. In April 2022, 20% of tickets breached the SLA, but by March 2023, it was only 5%, which is in line with the target.
20. The higher satisfaction rates across the different service centres in 2022/23, were because of the following interventions:
 - Reducing demand – ensuring guidance is in place for standard queries.
 - Improvements in query handling through the use of the Freshdesk system. This has included redeveloping the chat bot to offer more support for users.
 - Development of a new Customer Strategy to ensure that customer experience is reflected in all activities.
 - Establishment of Customer Boards for each service which examine in detail the performance of query management and target incremental month on month improvements.
21. Customer satisfaction remains one of EMSS's highest priorities and through the monthly Customer Boards, services challenge their performance against SLA's, as well as examine their interactions and processes through the 'eyes of the customer' to identify areas that require improvement.

Technology

22. EMSS is a service heavily reliant on technology and therefore it forms a significant part of its work.
23. The focus for the ESC has been the stabilisation of the Oracle Payroll functionality. As reported to the Commission at its meeting in November 2022, some key issues were identified during implementation regarding pensions and managing multiple assignments. These issues have since been resolved by Oracle and there is now standard functionality that can be implemented.
24. During 2022/23 the EMSS partnership commissioned an independent review of the set-up and build of payroll and HR functionality by Namos, a well-respected Oracle partner. The purpose was to ensure that the decisions made during implementation and the build by Evosys (now Mastek) were consistent with

best practice and the latest functionality available. The process included a number of workshops with both EMSS and partners, as well as analysis of the set-up of the shared platform. The result was a 170 page report provided in September 2022 which included 93 recommendations 27 of which were identified as having a high impact.

25. The report has formed the basis of a Technology Plan, which sits alongside a wider ESC Transformation Plan, both of which have been signed off by the partner councils as owners of the system and shared service. The plans detail the improvements required to stabilise and optimise the system and service.
26. The main technology project for the FSC during 2022/23 was the implementation of a new invoice processing system. Following a procurement exercise, the Kefron system was identified as the preferred system as it would provide improved functionality and reduce manual work and errors. Work began in March 2022 and the new system went live in October 2022. The benefits have been realised, e.g., the processing of invoice documentation has reduced from 72 hours to under 24 hours, with most documents being available within 2 hours of receipt.
27. In January 2023, the partnership confirmed who would provide IT support for the Oracle system. Mastek were the successful bidder and are now responsible for the upkeep and maintenance of the system, which includes the quarterly update and patching exercises. The service commenced in Quarter 4 of 2022/23 and has seen some teething issues, e.g., length of time to respond to queries, which were unexpected as Mastek had also been the implementation partner. These are being managed and closely monitored to ensure that the required improvements are delivered.
28. As part of the transition work from implementation to managed service provider the Oracle Support Manager commissioned a health check of the system's underlying Oracle Cloud infrastructure (OCI) from Oracle. The outcome was delivered in March and identified 61 issues from the implementation work carried out by Evosys (now Mastek). The results were shared with Audit and IT colleagues and an action plan agreed with Mastek. 38 of the issues have since been fixed and the majority of the outstanding issues will be resolved once the system is moved onto new infrastructure (Gen 1 to Gen 2) in October 2023. The OCI findings have been referred to in the IT internal audit for EMSS.
29. Work was also completed in January 2023 on the renewal of the contract for Oracle licences. Overall, excluding new modules, the partners saw a cost saving from the agreed budget for 2023/24 of £68,267




















Audit outcomes

































30. Nottingham City Council Internal Audit (NCCIA) is the designated Internal Audit provider for EMSS. Due to staffing shortages and other work commitments NCC Internal Audit, reported to the EMSS Joint Committee in June that they had not completed the 2022/23 audits. The committee is due to receive an update and report on the delays and findings of their audits on 18 September













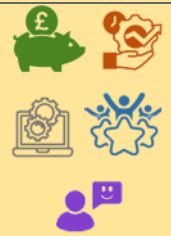



2023. An annual report on the outcome of this work is also presented by NCC IAS to the County Council's Corporate Governance Committee.

























EMSS Work Programme

31. To meet the objectives of the EMSS Strategic Plan 2023 – 2025 and improve service delivery, EMSS continually track and report on the projects in scope and underway within the organisation to ensure that focus and momentum is maintained on delivering continuous improvement and efficiencies.
32. It 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 table below shows the projects that have formed part of the Programme from April 2022 to date.
33. The key outlines the purpose / benefits of each project.

Project	Benefits	Description	Status	Sept 23 Update
HRA – NCH & NCC Reorganisation		The transition of NCH staff and some functions to NCC for April 23.		Complete
Oracle Support Model Development	  	A new support portal based on Freshdesk to allow self-serve and raise tickets		Complete
Managed Service Provider tender	    	To identify a supplier to support, maintain and develop the Oracle platform		Complete
FreshDesk – ChatBot development	   	To improve the support provided by the chatbot		Complete
Systems Admin Process Mapping		Ensure all processes are fully documented		Complete

Project	Benefits	Description	Status	Sept 23 Update
Activity Based Costing - FSC		To record FTE resource used on all FSC activities		Complete
Oracle Recruiting Cloud	 	Implement the recruitment module		Complete
Replacement bank account verification system	   	Review the current system that checks inputted supplier bank details are correct		Complete
Organisational - Developing EMSS Staff		Ensure all staff get an APR and the support they need personally and professionally		Managers are planning staff events and meetings to support staff.
Organisational - Performance Reporting	 	Improve reporting capability and measures. Automate and improve use.		Aim to automate KPIs for Q1 24. Investigating improved payroll measures
Organisational - New Customer Strategy	    	To implement the new strategy to improve the standards of customer service and release agent time to resolve urgent queries		Work is well advanced on most fronts. Training is being developed for roll-out later in the year
Technology - Gen 1 to Gen 2 infrastructure	 	This will move the non-SAAS elements of the Oracle system onto new hardware which should result in improved performance		Work has started on the move – to be complete by Oct 23
Technology - Oracle EBS archive	  	To transfer the data in EBS to an archive state		The Navisite system has been extended for a further 12 months as NCC require access for audit purposes. The move to a cheaper, permanent solution will be sought in the autumn
Technology - Oracle Analytics implementation	  	New functionality negotiated during the contract renewal. Finance available 2023 and HR 2024		Demo arranged of new features and Fusion Owners will agree roll-out plan

Project	Benefits	Description	Status	Sept 23 Update
Technology – Oracle Guided Learning		A new system that will greatly improve the user experience of using Oracle		System has been procured and implementation plan is being developed
Technology - Oracle Cloud Infrastructure Health check		A health check highlighted a number of significant inadequacies with the set-up.		A remedial plan has been developed with Mastek and EMSS are working with partner Audit and IT teams to monitor progress.
FSC - Kefron - Phase 2		To further improve the functionality and performance of the Kefron invoice processing system		Moving to further automation using application programming interfaces. These are proving complex.
FSC – Duplicate payment identification system replacement		The current system requires upgrading		Currently investigating whether to purchase a system or in-house development
FSC – LCC Oxygen implementation		A new system to seek discounts for early payment of invoices		Final stages of testing, for roll out in September.
FSC – Oracle Post Implementation Value Investigation (PIVI)		A service from Oracle to review the system and processes post go-live to ensure best use is being made. Will also report on functionality not being fully exploited		The PIVI process is complete for the FSC. Report being prepared by Oracle for EMSS and partner colleagues.
FSC - Dialler system and SMS software		A new system to automate the contacting of customers about their debts either by text or by phoning		Investigations have begun around the current telephony systems and their capabilities before looking to a new system
FSC - In house Debt Collection Phase 2		To in-source the service and increase its scope and processes		Work is progressing on schedule

Project	Benefits	Description	Status	Sept 23 Update
FSC - Supplier Portal roll out	   	A self-service module for suppliers to manage invoices and payments		Work continues to move suppliers onto the portal. Have agreed a final round of invitations before use becomes mandatory
FSC - AR Customer Portal Bill Management	   	Self-serve portal to get copy invoices and view account		Work has restarted on this project
ESC - HCM and Payroll Transformation	     	Review, define, and re-establish the operating model for the Employee Service Centre (ESC).		Plan agreed with the partners. Monthly review meetings in place. Internal Transformation Board monitoring progress
ESC - Cessation of Schools/Academy business		Withdraw from the education sector payroll service market		Transition of schools and academies to new providers underway.
ESC – LCC Wagestream implementation	 	A system to allow staff to access an advance on their pay in LCC		Ongoing information security issues to resolve as well as appropriate access to Oracle
ESC – NCC Changes to Pay Tables		NCC are implementing a new pay structure from Sept 23.		UAT testing underway.

Benefits Key

Stat / Policy Requirement		Cost Savings		Process Improvement	
Customer Experience		Staff Welfare		Automation	

Summary

34. In summary, overall, 2022/23 was a positive year for EMSS. The Service has delivered some high-profile projects which will benefit LCC and the partnership in the future, e.g., new invoice processing and bank verification systems, debt recovery service, new recruitment module, revised contract for the Oracle licenses and IT support for the next 3 years.

35. The Finance Service Centre is in a strong position, having stabilised quickly following the implementation of the new system. The 'Best Value' review that is underway should provide ideas and opportunities for improvement, alongside the LCC projects and initiatives that EMSS are also part of, e.g., Sustainable Support Services Programme.
36. The Employee Service Centre, whilst facing some challenges with the HR/Payroll system, ultimately transitioned 40,000 staff onto the new system successfully with existing resource. The Service has a robust plan in place to rectify the issues and has demonstrated through the decision to cease trading with the education sector, that it has the interests of LCC and the partnership at the heart of its improvements.
37. Technology wise, EMSS have a robust contract management arrangement in place with Mastek, who provide the IT support for Oracle. Equally, EMSS's interface with Oracle and other local government Oracle customers is a key priority, as the Service is keen to help ensure LCC gains the best value from its investment in the system.

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

None

Equality and Human Rights Implications

None

Other Relevant Impact Assessments

None

Appendices

None

Officer to Contact

Lucy Littlefair, Head of East Midlands Shared Services
 Telephone: 0116 3056333 Email: lucy.littlefair@emss.org.uk