



SCRUTINY COMMISSION – 4 SEPTEMBER 2024

EAST MIDLANDS SHARED SERVICES **ANNUAL PERFORMANCE UPDATE 2023/24**

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 2023/24 and an update on progress against strategic priorities in 2024.

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 2024 (period 12) was £5.61 million, which represents an overspend of £12k (or 0.2%) against the approved budget for the year. The outturn for each service is explained as follows:
 - Finance Service Centre (FSC) - £10k underspend due to managed vacancies, compensation for services lost following a cyber incident and offset of reduced Debt Collection Agency (DCA) charges.
 - Employee Service Centre (ESC) – £72k underspend arising from earlier than anticipated staff turnover following the staffing restructure, additional income for DBS processing (Disclosure and Barring Service - checks for criminal records) this is offset by increased costs associated with Oracle learning subscriptions, Chartered Institute of Payroll Professionals (CIPP) re-accreditation, Oracle consultant support, and loss of income from schools and academies.
 - Management & Business Development – £47k underspend, as a result of managed vacancies to support wider organisation and budget.
 - ICT On-going - £141k relates to a Mastek (the company contracted to provide IT support for Oracle) quarterly invoice that the service was unable to accrue for in 2022/23 due to the timing of the invoice it had to be processed in 2023/24. If the invoice had been processed in 2022/23 there would have been no underspend/overspend reported.
8. A full review of FSC services, performance and efficiency has taken place as planned to enable partners to assess the value for money delivered and opportunities for improvements. While this is largely complete for the FSC, it will remain a work in progress to ensure regular review of all processes and value for money can be demonstrated at any time. The final aim is to benchmark the service against other local authorities and or industry standards. CIPFA has confirmed it does not have a current benchmarking service, and whilst other providers can provide the service at a cost, that potential cost

needs to be discussed and agreed with sponsors before moving forward. The findings of the FSC report are due to be reported to the EMSS Joint Committee in December 2024. The review of the ESC will follow in the new year. The relevant committees in both Councils will also receive reports on the outcome of the reviews.

Growth

9. The FSC has completed its project to bring the collection of all Sundry debt for both LCC and NCC across all sectors in house.
10. The enhanced collection service has delivered a significant reduction in past due debt. Over the last 12 months a reduction of £2.1million for LCC, with even further reductions recognised if we go back to the start date of this project going live. The Public-sector in-house collections service was completed in January 2023, the Business sector collections service was completed in May 2023, and Individuals completed in April 2024.
11. A review of collection opportunities across both LCC and NCC is underway.
12. With ongoing system and historic payroll issues in the ESC still present, focus remains on getting the basics right and providing agreed services, with a 2025 plan to develop the service.

Customers

13. In Quarter 4 2023 the customer satisfaction rate was 74%. The target is 85%. In Quarter 4 2024 the customer satisfaction rate was up to 83% against the same target of 85%. Regular customer boards are held within the service to ensure any genuine unsatisfactory feedback is managed, and any query types contributing towards any negative feedback are also reviewed and managed accordingly.
14. The average time taken to resolve queries as of March 2023 was 3 days. As of March 2024, average resolution times remains at 3 days. Across the year April 2023 to March 2024 the FSC, ESC and Business Development services within EMSS completed an average of 10,642 tickets per month.

High resolution times can be attributed to:

- a. Ensuring guidance is in place for standard queries, with links to the guidance provided on all correspondence.
- b. Increased canned responses creating an accurate uniform response for repetitive queries.
- c. Automated redirection of queries to ensure specific subject headers are directed straight to the correct point of contact immediately.
- d. The availability of User Engagement sessions to ensure processes are demonstrated, as well as the impact of not following best practice being made visible. The opportunity to question any element of the process and gain a full understanding of what it requires is also encouraged.

- e. Query handling through the use of the Freshdesk system. Encouraging everyone to use the ticketed service where possible (to reduce general emails and phone calls)
 - f. Establishment of Customer Boards for each service which examine in detail the performance of query management and target incremental month on month improvements.
 - g. Full visibility of all stats and analysis that allows the service managers to understand where the success, demands and blockages are.
15. Customer satisfaction remains one of EMSS's highest priorities and through the monthly customer boards, services challenge their performance against service level agreements, as well as examine their interactions and processes through the 'eyes of the customer' to identify areas that require improvement.
16. In September 2023 the decision to serve notice to education customers with regards to payroll services provided to schools and academies was communicated to the Scrutiny Commission. Following a procurement process by individual schools, contracts were awarded to an alternative provider (Data-Plan) in September 2023. However, following this transition, there have been multiple issues with the service, namely the late filing of monthly submission files, and errors with some pension contribution figures and additional voluntary contributions. Whilst this service is no longer provided by EMSS, the County Council is ultimately responsible for any pension issues relating to maintained schools that fall under Leicestershire County Council as the employer. A weekly call is in place to deal with existing errors and Data Plan have assured EMSS that additional training and a new structure with additional resource and expertise will be in place by September 2024, which should eliminate the current issues. This is being managed very closely by the ESC with escalation to senior officers at both LCC and Data-Plan when necessary.

Technology

17. EMSS is a service heavily reliant on technology and therefore it forms a significant part of its work.
18. The focus for the ESC has been the stabilisation of the Oracle Payroll functionality. Issues identified following implementation have since been resolved by Oracle and focus is now on standard functionality, ensuring that service is provided problem free.
19. The ESC has also introduced the Assure system. Assure is a product of egress that interrogates the Gross to Net payroll run and helps identify issues so that these can be resolved before the final payroll run is completed. It can help the payroll identify trending errors so that they can be addressed. Primarily it was procured to support the vast quantity of quality checks needed to implement the sickness solution as part of parallel payroll runs. However, its significant functionality is supporting improvements month on month.
20. The first big change of the year in Oracle was the launch of the Oracle Recruiting Cloud (ORC) in April 2023. In order to use the module a number of

compromises were required, mainly to accommodate staff without work email addresses. At that time both partners committed to providing work emails, however, this has proven more complex than anticipated.

21. Significant work has been undertaken in working with our managed support service Mastek, to improve the delivery of the Managed Service contract. Service levels are now generally within contract requirements and the service plan continues to drive improvements.
22. The partners purchased Oracle Guided Learning (OGL) in May 2023 as part of the Oracle contract renewal. EMSS picked up its implementation to ensure that it was available for use by partners, however the uptake was not uniform. This allowed an additional review before committing further expenditure on the system. Both partners again agreed that the service on offer was excellent and with new training and guidance required as a result of Redwood, OGL offered the easiest and most effective way to deliver this. Redwood is a system update driven directly by Oracle and is the new look and feel for the Oracle system. There are some functionality changes, that EMSS are currently working through to test. The new pages will become mandatory in early 2025, and currently affect payroll and HR, procurement and supplier set-up.
23. Another new feature resulting from the contract renewals was the introduction of Fusion Analytics Warehouse (FAW) for both finance and Human Capital Management (HCM). This is a reporting system that allows for far greater analysis of data as well as the ability to combine information in Oracle with other data sets. As this was a late addition into the bill of materials there was no budget for implementation, so EMSS was able to use its in-house expertise to configure, firstly the finance system in Q2 and the HCM system in Q4. There were some issues getting the EMSS account activated, and this has resulted in a £50,000 refund from Oracle.
24. Following the implementation of the Kefron system, which brought a touch free 24 hour supplier invoice validation process, it was recognised that an enhancement of this service to enable real time invoice processing was available, and so phase 2 of the project was completed in October 2023, and ensures that invoices submitted by suppliers are presented into Oracle for processing immediately. This has allowed the FSC to support LCC with their supplier early payment offering (early payment partnership with Oxygen Finance.) Without this development and the use of technology, this project would have required an off-system workaround,
25. An Oracle Cloud Infrastructure (OCI) health check was undertaken in October 2022 to ensure that the configuration of the core infrastructure of the Oracle system conformed to best practice and did not present any potential weaknesses. Overall, 61 deficiencies were identified, some of which were serious. Work began immediately to remedy the worse issues. However, the best way of resolving the majority of the issues was to move from Oracle's Gen 1 infrastructure onto Gen 2. This would also improve general system running and should, over time, reduce the costs of universal credits. The move to Gen 2 was completed in November 2023 and all identified weaknesses addressed in

line with Oracle's recommendations. A second health check following this work is currently in process to ensure everything has been captured.

26. There has been significant procurement activity led by EMSS both on its own behalf and leading for partners. Below is a summary of the key achievements:
- Oracle/Softcat contract renewal for 5 years – delivering a reduction in forecast costs and new functionality.
 - Managed Service provider – Mastek for 3 years. Delivering a reduction in forecast costs.
 - Freshworks contract renewal for 2 years. Maintaining the competitive discount from the initial contract.
 - Kefron contract agreed – delivering improved functionality and value.

Audit outcomes

27. Nottingham City Council Internal Audit (NCCIA) is the designated Internal Audit provider for EMSS. This forms part of the original partnership agreement between Leicestershire and Nottingham. There have been a number of delays to 2023/24 audits and due to staffing shortages and other work commitments NCCIA has not committed to perform internal audits past 2025. The latest audits for the FSC, ESC, and sys Admins I.T, have now been completed.

AP Audit – Outcome – Significant assurance.

Generally sound system of control designed to meet the organisation's objectives and that controls are being applied consistently in the areas reviewed. There were no recommendations made.

Processes included in the 2023/24 Audit were:

- Supplier portal governance
- Change of bank account
- Implementation of new OCR scanning solution
- BACS authorisation
- Exception reporting – credit balances
- Key performance reporting

AR audit – Outcome – Moderate Assurance.

Generally, a sound system of internal control designed to achieve the organisation's objectives with some exceptions. Only one recommendation made in relation to dunning letters. A system failure has already been identified prior to audit and a workaround put in place. Having the issue fixed was the recommendation.

Processes included in Audit:

- Debt Collection Strategy
- Write off / adjustment process
- Broken Instalment process
- Refund process
- Direct Debit Process
- KPI Reporting.

ESC Audit – Outcome - Limited Assurance

Weaknesses were identified in the procedures and controls in key areas. The move to Oracle Fusion in 2021 caused a significant number of issues for Payroll and HR. It is acknowledged that ESC has come a long way from when Oracle Fusion was first introduced and signs of improvement can be seen within the audit report. However, due to the number of historic issues, ESC still has some distance to travel in the improvement journey. In addition, some of the process issues sit with Partner controls and processes that the ESC has very little influence over.

Processes included in Audit:

- Starters
- Salary Overpayments
- Key Payroll Recommendations
- Leavers
- Exception Reports
- BACS Authorisation
- Follow up on previous audit recommendations.

ICT Audit – Outcome - Moderate Assurance (with an upward trend)

Generally, a sound system of internal control designed to achieve the organisation's objectives with some exceptions. Only One recommendation made: Vulnerabilities previously reported by Oracle have been addressed, however, there is a need for the system to be regularly scanned to confirm that the configuration remains secure.

Processes included in Audit:

- Business Continuity Plan
- Oracle Fusion Health check
- Roles & Access
- System data handling

28. The EMSS Joint Committee has not yet approved the EMSS Audit Plan for 2024/25 due to concerns over resources. NCC are due to present a revised proposal to deliver the 2024/2025 audit at the next Joint committee meeting in September 2024. The agreement to carry out internal audits beyond 2025 is still to be agreed.

29. It should be noted that Audit matters are managed and monitored by the County



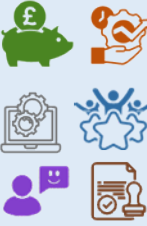











Council's Corporate Governance Committee and any comments regarding audit should be referred to that Committee. NCCIA attended the previous Corporate Governance Committee meeting to present and answer questions regarding members' audit concerns.







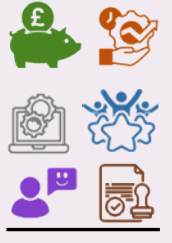







EMSS Work Programme / Business Plan Priorities 2024/25

Benefits Key

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

Project / Priority	Benefits	Description	Status	June 24 Update
Organisational - Performance Reporting		Improve reporting capability and measures. Automate and improve use.		Following a demonstration of Fusion Analytics Warehouse, work is underway to use the new systems to produce reports and data.
Technology - Oracle EBS archive		To transfer the data in EBS to an archive state		Work is underway to assess the post March 25 options. The aim is to complete by March 25, however this relies heavily on NCC closing all previous period accounts
Technology - Oracle Analytics implementation		New functionality negotiated during the contract renewal. Finance available 2023 and HR 2024		The Finance system is fully implemented and final tests on line-manager security are being undertaken by partners on the HR system
Technology – Oracle Guided Learning		A new system that will greatly improve the user experience of using Oracle		Both partners have agreed to retain OGL, so work is now underway to renew the contract and complete the implementation
Technology - Oracle Cloud Infrastructure Health check		A health check highlighted a number of significant inadequacies with the set-up.		Work is underway with Oracle to investigate some anomalous account issues which would flag on the new health check before formally starting the review. Complete awaiting findings.
Technology – Oracle Redwood Interface Implementation		Oracle have developed a new interface /front end for their system which is being rolled out module by module		The 24B update has slowed down progress of this project, and there are some role compatibility issues being worked through. This will require some input from

				Mastek .The Updated screens will become mandatory in May 2025.
Review of the Oracle Support Service		A review of the service to ensure it is meeting customer needs		Work began with a workshop for the staff to capture all the services currently delivered. A survey for partners will follow
Procurement of customer support system		The Freshdesk contract will end in Feb 25, so a new procurement exercise has been started		Work has begun on understanding requirements and looking at how the market has moved.
FSC – Best Value Review		A full review of FSC services, performance and efficiency. To enable partners to assess the value for money delivered and opportunities for improvements		The review has been shared with LCC partner colleagues for internal scrutiny and comment. Work to incorporate their comments and complete the review is underway. When completed, this will be shared with Sponsors.
FSC – Duplicate payment identification system replacement		The current system requires upgrading		Currently investigating whether to purchase a system or development in-house.
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		Oracle have produced a summary of the main AR issues to assist an in-depth root cause analysis
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 – LCC ASC Debt		To move the service to the FSC improving processes and recovery rates		This project is in its initial stages, working exclusively within the existing dept before any planned transfer

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		This project is currently on hold following Oracles decision to charge license fees per customer per month for the use of this. A Customer self-serve portal is still a high priority, so currently other products and options are being investigated.
Paperless Direct Debits		Project to move customers to paperless direct debits to reduce printing, postage and resource		Developing a business case to move customers to online direct debits. This
ESC - HCM and Payroll Transformation. Year 2		Review, define, and re-establish the operating model for the Employee Service Centre (ESC).		Work is progressing including utilising the partner meetings to agree Oracle Change Requests. Transformation Plan will be updated for 2024/25.
ESC – Implementation of ‘seeded’ absence, LGPS fixes and seeded Teachers’ Pension Scheme		Required to move from custom to seeded absence scheme within payroll system by August 24.		implementation of seeded absence is complete. In light of continued issued both Teachers’ pension Scheme and MCR will be delayed.
ESC – resolve ‘reducing balances’ element issues		Issues still outstanding from ‘go-live’ on certain payroll elements, i.e those where the balance reduces each month over a set period of time.		Work has now commenced on the remaining elements which don’t reduce properly following the completion of the work above seeded absence work. due to complexities involved, This is planned to be completed by April 25
ESC – Office move		Plans have been agreed to move the ESC and BD staff into the main Pen Lloyd building		An outline office plan has been agreed and work will begin on detailed lay outs. Staff have been made away that the move will happen this year.

Summary

30. In summary, overall, 2023/24 was a positive year for EMSS. The Service continues to deliver improvement projects which will benefit LCC and the

partnership in the future, e.g. real time touch free invoice processing, bank verification systems as well as additional debt recovery services.

31. The FSC remains in a strong position, 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.
32. The ESC, whilst facing some challenges 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.
33. 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.
34. The service continues to embrace technology and drive performance forward, with Redwood, OGL & FAW being the primary technology projects for 203/24.

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 Implications

None

Human Rights Implications

None

Other Relevant Impact Assessments

None

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