Leicestershire County Council

SCRUTINY COMMISSION – 2nd SEPTEMBER 2026

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 2025/26 and an update on progress against strategic priorities set in 2026.

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:

- 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 2026 (year end) was £5.66 million, which represents an underspend of £281k (or 4.7%) against the approved budget in the year for partnership services provided to both NCC and LCC.

8 It should be noted that included in the outturn is the 2025/26 agreed pay award, based on 3.2% for all employees. This totalled £142k and represented a £10k underspend against the approved budget provision.

9 The outturn for each service is explained as follows:

- Finance Service Centre (FSC) - £22k net underspend. Underspend on staffing due to delays in recruitment to vacant posts and maternity leave (£64k) offset by minor increases in running costs.

- Employee Service Centre (ESC) – £143k net underspend. Underspend arising from staff turnover (£98k), increase in fees and charges income (£12k) plus savings on Assure license costs and DBS costs (£63k). These are offset by additional payroll write-offs (£22k) together with minor increases in running costs

- Management & Business Development – £50k on staffing costs as a result of delays in recruitment to vacant posts.

- ICT On-going - £65k. Underspend on staffing and savings on Oracle license costs

FSC Operational Performance

10. Over 4,000 new suppliers were verified and set up over the year. The automated verification process links directly with the banking systems allowing for such high volume to be processed with minimal manual intervention.

11. 80% of these were completed within the agreed SLA of 5 days. Missing or incorrect information on the original request is the primary cause of any delays above the SLA target.

12. These volumes and values do not include feeder payments which are residual payments made to organisations and individuals that do not require an invoice to process, such as foster carers, grants and various supplemented payments.

13. The average days to pay Trade Suppliers (excluding feeders) stands at 20.7 days for LCC. Removing varied payment terms outside 30 days, which include factors such as the Early Payment Scheme, of the trade suppliers on 30 day payment terms, 96% were paid within the statutory 30 days.

14. The % of past due Sundry debt also continues to reduce, with a 9% reduction on open to collect past due debt over the last 12 months, and a 1.5% reduction in open to collect aged debt over 90 days. As of 31st March, the total LCC sundry debt outstanding balance was £20.3m.

15. The FSC continues to support partner projects. The No Purchase Order No Pay (NPNP) policy has been live for some time now for both LCC & NCC, pushing the responsibility back to the supplier to submit a valid invoice. Compliance with No PO no Pay is currently at 90%.

16. Monthly KPI reports and meetings are held each month with key stakeholders to discuss performance and escalations.

ESC Operational Performance

17. As well as HR/Payroll/Recruitment, the ESC are also responsible for ensuring all legislative changes connected to employment law are implemented, of which there are multiple items each year. During 2025/26 the ESC completed the required changes in maternity leave entitlement, the Pension auto re-enrolment, implemented the pay award, worked to test and implement salary sacrifice schemes.

18. Out of almost 168,000 employee payments across the partnership and 385,000 LCC pension payments the payroll error rate remains <1% - Overpayments typically arise where self-service processes are not followed correctly, or where employment change submissions are not received within the required timescales. The controls and efficiencies built into the EMSS payroll process are often what identify these overpayments, and therefore the detection of overpayments should be viewed as a positive control rather than an indication of process failure within EMSS. As the work associated with identifying, reconciling and recovering salary overpayments falls outside the specific SLA tasks,

historically, this activity has competed with core SLA commitments and other priority projects. As a result, when operational pressures increase, overpayment reconciliation and recovery activity has not always been progressed as effectively or consistently as desired.

19. To address this risk, the ESC has in Q1 of 2026/27 ensured that all salary overpayments are reconciled, repayment plans are in place and the relevant HMRC related elements repaid. The new service manager has developed a documented end-to-end process, supported by training materials to improve awareness, strengthen adherence to employment change procedures, and reduce the likelihood of overpayments occurring. This proactive approach is intended to mitigate future overpayments where possible and improve the effectiveness of recovery activity when overpayments do arise.

20. Overpayments for LCC employees in the year 2025/26 were 74, with a total value of 124k. Compared to the previous year when there were 31, with a total value of 105k. This is still very low, representing 0.28% of payroll payments processed. The increase is attributed to an increased number of manager delays in submitting contractual changes, leavers and new starters within that period. To address this, the ESC contact and inform managers where late or incorrect submissions have created an overpayment for both current employees and leavers, and direct them to the recovery and or dispute process. The overpayment information is also shared with each HR department on a monthly basis to raise awareness and agree any escalations required.

21. Where the employee is still employed, the overpayment is deducted from a salary, either in one or several instalments depending on circumstances. Where the employee has left, a repayment plan is put in place.

22. In 2025/26 the recruitment team managed 2,640 job adverts and produced almost 6,000 new contracts/contract amendments & employment related letters.

23. Over16,000 DBS checks were completed. Following a review of 22 other authorities providing the same service, EMSS remain the most competitive DBS providers in the market. There are ongoing discussions to extend the DBS service and increase that area of income for the council.

24. Regular KPI meetings with key stakeholders are in place to review performance and escalations in detail.

Overall Summary

25. EMSS delivered a strong year of operational performance, combining service improvements with a cost reduction. In recognition of the overall underspend position each partner has received a reimbursement of £141k.

26. It has been a year of significant change for EMSS. With ongoing internal promotions into management positions creating another wave of backfill vacancies, despite this, the service has delivered a stable performance.

27. The overall EMSS funding requirement for 2026/27 now stands at £5.82 million, which represents a decrease of £160k (or 2.1%) compared to 2025/26

28. The EMSS 5-year strategic plan has been agreed and can be seen in the Appendix to this report. Within the plan is the Strategic Aim, projects, activities to support objectives, measures of success, timelines along with expected challenges and the required engagement from each partner. The plan demonstrates the services focus on continuous improvement and customer satisfaction with a technology driven service to ensure an efficient delivery. Also included within the plan is the expected support for both Leicestershire County Council, and Nottingham City Council as they embark on upcoming LGR projects.

29. The service received an improved audit outcome with overall Significant Assurance rating. The definition for significant assurance is “A sound system of governance, risk management, and internal control is in place and operating effectively”

30. The service ensures that the importance of employee mandatory processes is regularly communicated and mandated. The completion of annual performance reviews is strong with the completion rate for this year currently at 97%. Similarly, mandatory training such as health and safety and data protection, is 94% complete.

31. Focus on leadership, continuous improvement, with ongoing projects to develop a more inclusive leadership training program. Ensuring that the teams have strong leaders who understand the strategic aim, actively contribute towards the continuous improvement focus with an understanding of the non negotiables that form part of the EMSS service.
Team days and all staff briefings also ensure that the service is engaged with all elements of the service performance, wider council projects and direction of travel.

32. Overall sickness absence rate has increased to 4.47 days, this is namely due to 3 long term absences in the FSC, these are being managed in line with council policy.

33. 2025/26 completed projects:

Project	**Description**	**Status**
Business Continuity Plan	To revise and update the BCP to ensure that it is fit for purpose and fully tested. The new plan is operational and has been tested. An audit of new EMSS BCP arrangements achieved a significant assurance rating.	Complete
FSC – LCC ASC Debt	To move the service to the FSC improving processes and long term recovery rates	Complete
Paperless Direct Debits	Project to move customers to paperless direct debits to reduce printing, postage and resource	Complete

ESC – HCM and Payroll Transformation. Phase 4	Review, define, and re-establish the operating model for the Employee Service Centre (ESC).	Complete
Implement new Oracle Support Service	Put in place the changes agreed during the service review including a new Oracle Support Manager role and increasing capacity on system development	Complete
Debt Collection Agency	Procurement of supplier of debt collection services.	Complete
In-housing Construction Industry Standards (CIS) report and verification	Monthly usage return and Supplier verification process moving to in-house solution, removing the reliance on a third party provider.	Complete
Procurement for new BACS system	Ensuring the partners have a robust payment platform	Complete

Growth and Added Value

34. Development Leads in the ESC Built a new Oracle Fusion based 60% report, removing the need to use an external service. The 60% report is an industry standard report used to analyse the accuracy of payroll payments. This in house development created a saving of £44K, this is reflected in the latest budget.

35. Implemented Seeded Teachers Pension and enrolled on to Monthly Contributions Reconciliation (MCR) instead of multiple data collection reports for Teachers Pensions. MCR is the mandatory monthly data reporting process that schools, local authorities, and other education employers use to submit staff service, salary, and pension contribution data to the scheme. MCR is designed to streamline administration by combining three older, separate reporting methods into a single monthly file. MCR ensures that the data submitted is validated, if a validation error occurs this needs to be resolved before the form can be submitted.

36. The ESC also implemented a new Leavers form to collect all relevant payroll information to reduce number of corrections required.

37. The FSC has successfully supported and enabled the enforcement of No PO no Pay, using technology to validate invoice data electronically and manage any exceptions.

38. Following the successful transition of all LCC Adult Social Care debt recovery and debt resolution functions, from a partially outsourced model to a fully integrated in-house structure within the FSC. That service is now in place managing a ledger that invoices on average £52m each year for residential and non-residential care services. The service has a specific focus on working collaboratively with the care pathway and ASC finance teams to identify payment

blockers and agree a structured approach for solutions within some extremely complex scenarios.

39. More detailed labelling and debt categorisation has provided more accurate and detailed visibility of the debt status across multiple complex stages of the care cycle.

- Successful move to paperless Direct Debits allows the agent to complete this on the customers behalf if needed.

- Utilisation of Fusion analytics allows the team to provide historical statements to customers without having to manually collate the detail of where historical payments have been allocated.

- Use of an external ASC specialist legal firm for more complex cases to ensure recovery options are maximised is also now in place.

- Increase in asset led recovery action including the proposal of a voluntary property charge for non residential care users to utilise where debt levels are high or increasing.

40. During 2025/26 EMSS has led and managed a significant number of priorities and projects. They have been varied in their focus, size and complexity; but overall have enabled savings and delivered efficiencies in the operational performance of the services. The projects can be seen in the table provided at the end of this report in section 11.

41. The FSC received the CIPFA Highly Commended Certification for services to debt recovery, and were also shortlisted for the Midlands shared Services Team of the year award.

42. Process modernisation continues through initiatives such as paperless Direct Debit set-up and digital document delivery. Whilst progress on digital document delivery was temporarily constrained by information governance requirements regarding cloud security, the necessary mitigations are now being implemented and customer migration is accelerating. During 2025/26, 284 customers were transitioned to electronic document delivery. In the first five months of 2026/27 alone, a further 638 customers have moved from print and post to digital delivery, demonstrating strong momentum and increasing customer adoption.

43. The service processed over 151,000 service desk ticket enquiries throughout the financial year. Breakdown by team:

10,316 system support queries – 97% within SLA

78,532 finance service desk queries – 97% within SLA

62,666 Payroll and HR queries –98% within SLA

44. Work is underway to gather the required data and agree calculation methods to develop a comprehensive benchmarking framework for key operational metrics, including the cost to process and pay a supplier invoice, the cost to produce a payslip, and debt collection performance. This will enable meaningful comparison with peer local authorities, providing independent assurance that EMSS delivers quality, cost-effective services while highlighting opportunities for continuous improvement and efficiency gains.

Customers

45. Overall, customer satisfaction shows a positive trend, with performance gradually improving over time. The satisfaction rates including comparison to previous year for the teams are shown in the table below.

Team	Q4 Result
EMSS	**89% (previously 85%)**
BD	90% (previously 81%)
ESC	90% (previously 86%)
FSC	88% (remains the same)

46. It has been frequently noted and discussed that obtaining customer satisfaction reviews for a service that is considered to be part of a daily process by service users, is difficult, therefore whilst a review is requested and encouraged for each and every ticket resolved, response rates remain low. The overall customer satisfaction response rate for 2025/26 was 1.75% (2024/25, 1.06%), which includes both positive and negative feedback. All negative feedback is investigated and responded to.

47. To provide the partners with a more comprehensive view of Customer Satisfaction, EMSS undertook a large-scale customer survey in Q1 aimed at understanding service effectiveness, self-service support, and areas for improvement. The survey gathered feedback from 178 respondents across both partner organisations. Results from the survey demonstrated that Customer Service & Standards scored highest. Qualitative feedback praised staff helpfulness but highlighted some issues with system usability, communication clarity, process efficiency/delays and lack of human contact.

48. In response to the 2025 Customer Survey, among other improvements, service areas have implemented the following changes:

- Updated ‘source’ classification in the system, including Oracle, E-Forms and Kefron, providing agents with additional context to the origin of workflow submissions.

- Amended categorisation for Finance Services, ensuring they are more customer-focused and jargon-free.

- Yammer/Viva Engage posts to remind colleagues to check their payslips and remind managers of Payroll Deadlines.

- Improved automations, ensuring tickets get to the right queue and agents more quickly

Technology

49. EMSS is a service heavily reliant on technology and therefore it forms a significant part of its work.

50. In Q4 last year The FSC processed around 38,000 LCC trade supplier payments totalling £256 million. What allows these volumes to be processed with such a small team of 4 people is the technology embraced that removes the manual effort, as such, a large element of possible human error. The FTE required to manage that volume are mainly required to deal with exceptions and the processing of credit notes which are not yet automated as well as processing loaders and feeder files that are residual payment runs for businesses and individuals who receive regular payments from the council without the need to submit an invoice. Utilising such technology allows the EMSS to deliver a service that is not only value for money but also ensures that the responsibility is with the supplier to provide an accurate and valid invoice, and allows the statutory requirements to pay trade suppliers within 30 days to be met.

51. Fresh service, the ticketing system used to process all inbound queries and requests is developed to allow for the categorisation and targeted response to specific query types, ensuring that the service can successfully organise and respond to an excess of 150,000 tickets generated via fresh service every year.

52. The Oracle Support Service manager role is now in place, the new, part-time role will give the business and partners increased capacity to manage issues and changes on the Oracle platform with particular focus on managing the day-to-day relationship with the managed service provider, ensuring that contractual requirements and SLA is met.

53. Following the recent extension to the current contract, procurement activity is now underway in 26/27 to begin a new tender invitation for a new Oracle Managed Support Service contract, this is due to commence in April 2027. Although options are currently in discussion following the recent LGR announcements to ensure the tender invitation can include any additional work this will bring.

54. The Redwood implementation continues. This is the new look and feel of the Oracle system, a global update rolled out by Oracle directly that is a non-negotiable change. The first phase of this update is almost complete within the HR and procurement areas. These include updates to procurement requisitions, absence, terminations and payslip screens. There is currently no confirmed date for Redwood updates within finance modules from Oracle.

Audit outcome

55. On the basis of audit work undertaken during the 2025/26 financial year, the Head of Internal Audit at Nottingham City Council concludes that a “significant” level of assurance can be provided that the organisation’s framework of governance, risk management, and internal control is generally operating effectively. Audit reviews identified that key financial systems and operational processes are in place and functioning adequately, with areas of notable practice across several core systems. The audit outcomes suggest that the organisation is moving in a positive direction, with improving control maturity in key financial systems and an ongoing commitment to strengthening governance and resilience arrangements.

EMSS Work Programme / Business Plan Priorities 2025/26

56. The projects listed in the table below are those currently underway and will ensure that EMSS is on track to deliver the Strategic Plan, meeting its’ ongoing commitments to efficiency, effectiveness and process excellence. Some of these projects may have progressed towards completed status since the annual report was written.

Benefits Key

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

Project / Priority	Target End Date	Benefits	Description	Status	Sept 26 Update
Technology – Oracle Redwood Implementation	Ongoing		Oracle have developed a new interface /front end for their system which is being rolled out module by module		Project whilst not completed, is on track with absence, terminations, payslips, work structures, procurement now completed and live in production. Remaining items scheduled for Q1 2027
Freshservice Phase 2	Q4 26/27		Adopting all the new functionality to improve the handling or queries and requests. This will focus on introducing features such as workflow to make better use of the new functionality and reduce manual work		This project is a wok in progress alongside day to day BAU. However as the lead officer post for this work is vacant there will be a delay until the role is filled.
AI - HR	TBC		Adopting new AI functionality to reduce queries and processes initially focusing on HR queries		Work is underway on a test system to ensure that when the new chatbot is deployed it will add value and be useful for both EMSS and customers.
New BACS system	August 26		Current system relies on an LCC server to transmit the files, with the new system we will be able to transmit direct allowing for the old server to be decommissioned		There have been a number of technology issues and combined with slow response times from the Oracle Managed Service provider has caused delays. These are largely resolved so the new system should be up and running during Q2 26/27.
FSC – Duplicate payment identification system replacement	Sept 26		The current system requires upgrading		Latest testing has been positive so this should be moving into operation in Q2 26/27

Invoice Processing solution procurement	April 26	Procurement of automated invoice processing solution	Procurement activities are complete and contract with the agreed provider has now been signed.
ESC – resolve 'reducing balances' element issues	October 26	Issues still outstanding from 'go-live' on certain payroll elements, i.e those where the balances with an impact on HMRC tax and N.I reduce each month over a set period of time.	Work is progressing if a little slowly due to the commitments required on the Redwood project. Testing is set to be completed in Q3, live date depends on the outcome of the testing.
ESC - Seeded Absence and MCR	May 26	To complete the final move to seeded Oracle functionality	Development work is complete.
ESC - Process Mapping and Activity Based Costing (leading to ESC Best Value Review)	Sept 26	To ensure that all processes have been captured and SOPs created. They will also be measured so we understand the resource used to deliver all activities. Once completed this will enable a best value review to be undertaken	Work continues to progress well and only the best Value Review to still be done. Review is set to be completed by Q2 26/27

Summary

57. Quarterly performance reports are presented to the Joint Committee, Sponsors and DMT each quarter. Detailed monthly KPI and performance reviews are in place each month. The performance reports detail the volumes that pass through the service and project specifics required to keep that continuous improvement a reality as well as any performance issues and or blockages that require decisions or escalation.

58. EMSS is able to present a robust and stable service, although it hasn't been without its challenges. Next phase focuses on scaling improvements through technology, a strong leadership culture, ensuring that all vacancies creating current strain on the service are filled and ensuring there is sufficient expertise in place to support our partners as they enter into LGR.

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

63. None

Equality Implications

64. None

Human Rights Implications

65. None

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Appendices

EMSS Strategic Plan 2026 - 2030

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