

Public Document Pack

East Midlands Shared Services

Delivering quality, affordable and resilient support services to the public sector



East Midlands Shared Services Joint Committee

Date: Monday, 24 June 2024

Time: 10.00 am

Place: Loxley House, Nottingham. NG2 3NG

Governance Officer: Phil Wye **Direct Dial:** 0115 8764637

Members are requested to attend the above meeting on the date and at the time and place stated to transact the following business:

Beth Brown
Director for Legal and Governance
Nottingham City Council

Declan Keegan
Director of Corporate Resources
Leicestershire County Council

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Joint report of the Corporate Director for Finance, Nottingham City Council and Resources and the Assistant Director of Finance, Leicestershire County Council

9 Future Meeting Dates

To agree to meet on the following Mondays at 1.30am:

16 September 2024

9 December 2024

All items listed under 'Exclusion of the Public' will be heard in private. These items have been included under this section of the agenda because no representations against hearing them in private were received.

Councillors, co-optees, colleagues and other participants must declare all disclosable pecuniary and other interests relating to any items of business to be discussed at the meeting. If you need any advice on declaring an Interest in an item on the agenda, please contact the Governance Officer shown above before the day of the meeting, if possible.

Citizens are advised that this meeting may be recorded, including by members of the public. Any recording or reporting on this meeting should take place in accordance with the Council's policy on recording and reporting on public meetings, which is available at: <https://www.nottinghamcity.gov.uk/your-council/about-the-council/council-meetings-decisions/recording-reporting-on-public-meetings>. Any person intending to record the meeting is requested to notify the Governance Officer shown above in advance.

Nottingham City Council

East Midlands Shared Services Joint Committee

Minutes of the meeting held at Loxley House, Station Street, Nottingham on 18 March 2024 from 10.32 am - 11.23 am

Nottingham City Council

- ✓ Councillor Audra Wynter (Chair)
- ✓ Councillor Pavlos Kotsonis

Leicestershire County Council

- ✓ Councillor Lee Breckon (Vice-Chair)
- ✓ Councillor Peter Bedford

Colleagues, partners and others in attendance:

Simone Hines	- Assistant Director Finance, Strategic Property and Commissioning (LCC)
Shabana Kausar	- Director of Finance (NCC)
Lucy Littlefair	- Head of East Midlands Shared Services
Lee Mann	- Strategic Director of HR and EDI (NCC)
Simon Parsons	- Audit Manager (NCC)
Jill Turner	- Business Development Manager, East Midlands Shared Services
Phil Wye	- Governance Officer (NCC)

Call-in

Unless stated otherwise, all decisions made by the East Midlands Shared Services Joint Committee are subject to call-in. The last date for call-in is 26 March 2024. Decisions cannot be implemented until the next working day following this date.

28 Apologies for Absence

None.

29 Declarations of Interests

None.

30 Minutes

The Board confirmed the minutes of the meeting held on 11 December 2023 as a correct record and they were signed by the Chair.

31 East Midlands Shared Services Governance and Joint Committee Terms of Reference

Lucy Littlefair, Head of East Midlands Shared Services (EMSS), presented the report seeking approval for the Terms of Reference and Rules for the EMSS Joint Committee, highlighting the following:

- (a) for some years the deadline to set annual capital, revenue and staffing budgets for EMSS no later than 1st December in each year has not been reached due to the Leicestershire County Council (LCC) budget setting timeline and the November meeting has invariably been moved to December It is therefore proposed to move this deadline to the end of December;
- (b) it is proposed that an amendment is made to the frequency of the Joint Committee meetings on the basis that the Head of EMSS jointly meets with the Sponsors for EMSS monthly, meets the LCC Sponsor monthly, as they are responsible for day to day line management, and meets monthly Strategic Finance and HR colleagues, where performance is discussed at a detailed level;
- (c) the frequency of the Joint Committee means that Councillors are receiving updates on operational, rather than strategic matters. Three months is a short timeframe for most strategic updates. The reports, with the exception of the budget, are largely for noting, and the committee should be used for providing strategic direction and challenge to the shared service.

Committee Members agreed that moving to three meetings per year would be most beneficial, as long as they continue to receive quarterly performance reports. There would be the opportunity to call an extraordinary meeting if there was urgent business. Three meetings rather than two would allow members to input into the EMSS business plan in September.

Resolved to

- (1) approve changes to the Terms of Reference for the Joint Committee to amend paragraph (v) to “Set annual capital, revenue and staffing budgets for EMSS and no later than 31st December in each year submit these to the Member Authorities for approval as part of the business plan.”;**
- (2) approve changes to the Terms of Reference for the Joint Committee to amend the frequency of meeting to three meetings a year in June, September and December;**
- (3) approve the Rules for the Conduct of Meetings and Proceedings of the Joint Committee;**
- (4) agree to take the preferred changes to each Authority’s Leader for approval**

Reasons for decisions:

- To fulfil the Partnership Agreement requirement to review the governance arrangements and relevant terms of reference annually.
- To ensure that the Committee’s terms of reference are appropriate and allow for the effective and efficient governance of East Midlands Shared Services.

Other options considered:

- To continue with current governance arrangements. Reasons for dismissal this option are in the report.

32 East Midlands Shared Services Strategic and Performance Report, Quarter 3 2023-2024

Lucy Littlefair, Head of EMSS, presented the report providing the Joint Committee with an update on the people, customer, operational and technology priorities and performance for EMSS, highlighting the following:

- (a) in 2022 the Joint Committee agreed the 3-year vision and strategic priorities for EMSS. Appendix A details progress against those priorities and includes updated information and focus for 2024. EMSS have made good progress and largely completed the actions that they are able to solely manage, but it is taking longer to deliver the priorities which require partnership working or are reliant on decisions that can only be taken by the partner councils. This is a reflection of the complexity of shared services, the fact that end to end processes cut across multiple services and differing priorities;
- (b) EMSS cannot operate in isolation and must ensure that it is aligned with the vision for the respective support services. For this reason, the Head of EMSS is on the LCC Sustainable Support Service Programme Board, is working closely with Nottingham City Council (NCC) HR colleagues to redefine the operating model and is expecting to be included in discussions with NCC finance colleagues about potential changes to their model. The Finance Service Centre manager is also involved in LCC's Financial Control Group and Operational Finance Improvement Project Board and NCC's P2P Mobilisation Group;
- (c) technological projects underway with Oracle are the implementation of Oracle Guided Learning and the Fusion Analytics Warehouse modules, and the implementation of seeded payroll functionality that was missing during go-live, related to absence, the Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme;
- (d) Oracle are also rolling out a new front end for self-service screens called Redwood, this means the look and feel of manager, employee and procurement pages will be different. This will be a significant project to ensure that not only will the system work as expected with the new format but that all guidance and training is updated to reflect the changes. Work is well underway in assessing the impact for partners and a timeline is being developed to ensure that all parties are ready well before the mandatory use of the new screens in early 2025;
- (e) the average number of days absence per FTE has continued to decrease again from 2.69 in Q2 to 2.22. The rates in the Employee Service Centre (ESC) have also fallen from 4.21 in Q2 to 3.54. It is hoped that with the continued extra support for ESC staff this will continue to fall;
- (f) the 2023 LCC Staff Survey indicated that staff were stating that their managers do not support flexible working practices, and they do not feel safe to speak up. Work has begun to investigate why staff are unhappy on these points. On the issue of flexible working formal and informal discussions with staff have confirmed it was

the change to working patterns in the ESC that caused the concern. To understand the concerns about feeling safe to speak up a new survey has been commissioned that seeks greater detail as to how these concerns have arisen;

- (g) customer satisfaction has risen 11% from Q2 to 83% this quarter. All the teams have seen an increase;
- (h) in December, the ESC successfully delivered the 2023-24 pay award for partners, including calculating the back pay owed for all maintained staff to ensure accuracy of payment to them by their new payroll providers.
- (i) the payroll accuracy performance for Q3 is 144 errors out of a total of 43,689 payments (a rate of 0.32%). The improvement in the payroll accuracy can be seen in the decrease of manual BACS payments made across the quarter compared to the same quarter last year. There has been a decrease of 35% or 57 payments.
- (j) Overall, the performance of the ESC has substantially improved since the decision to cease trading with the education sector as part of the ESC Transformation Plan, and focus service delivery on the two partner councils.

Resolved to

(1) note the operational performance of EMSS for Quarter 3 2023-24;

(2) note the progress of the projects within the EMSS Business Plan.

33 East Midlands Shared Services Financial Update 2022/23 and Final Budget 2024/25-2026/27

Lucy Littlefair, Head of EMMS, presented the report providing the Joint Committee with an update on the 2023-24 financial performance, final budget for 2024-25 and the proposed budget for EMSS for 2025-26 to 2027-28, highlighting the following:

The draft version of the Medium Term Financial Plan (MTFP) was presented to the Joint Committee at the December meeting. The final MTFP is the same except that it has been updated to reflect pay inflation. This means that the EMSS funding requirement for 2024-25 has increased from £3,000 to £96,000. This is based on assumptions that the pay award will be in line with that for 2023-24, although it is recognised that the Unions have made a claim for a higher increase.

Resolved to

(1) note the financial forecast position for EMSS for 2023-24;

(2) approve the final EMSS budget for 2024-25;

(3) note the forecasted budget requirements and partnership requirements for 2025 onwards

Reason for decisions:

- The requirement to provide budget forecast information to the Joint Committee is a key part of the financial management process.

Other options considered:

- The requirement to provide budget forecast information to the Joint Committee is a key part of the financial management process and therefore, no other options were relevant.

34 East Midlands Shared Services Internal Audit Plan 2024/25

Simon Parsons, Audit Manager, NCC, presented the report updating the Joint Committee on Internal Audit work and seeks approval for the EMSS Audit Plan 2023–2024, highlighting the following:

- (a) during 2023, partners were made aware of the challenges experienced by the NCC Internal Audit Team, with NCC priorities and staffing shortages impacting on their ability to complete the featured audits within a reasonable time frame, with the final reporting for 2022-23 concluding in September 2023;
- (b) none of the audit reports for 2023-24 have yet been finalised. Work is expected to continue on these audits until at least the end of the first quarter of 2024-25, when hopefully a Head of Audit opinion can be issued;
- (c) due to uncertainty of resources and vacancies, it is not expected that a full audit plan will be completed for 2024-25. Work is expected to be limited to just follow-up audits in respect of those recommendations made as part of 2023-24 reviews.

Joint Committee member stated their disappointment that audits have not been completed for 2023-24 and stated that they were not willing to approve the 2024-25 audit plan until these had been completed.

Resolved to

- (1) note the progress and outcomes of the 2022-23 audits and opinion;**
- (2) note the progress of the 2023-24 audits;**
- (3) request that a further report be brought to the Joint Committee in June regarding the 2024-25 audits with an update on resources for and options available.**

Reason for decisions:

- A Robust Audit plan is a key pillar of the governance and assurance framework for EMSS.

Other options considered:

- To approve the 2024-25 audit plan. Rejected due to uncertainty of resources available.

35 Exclusion of the Public

Resolved to exclude the public from the meeting during consideration of the remaining item in accordance with Section 100A of the Local Government Act 1972, under Schedule 12A, Part 1, on the basis that, having regard to all the circumstances, the public interest in maintaining an exemption outweighs the public interest in disclosing the information.

36 Exempt Minutes

The Board confirmed the exempt minutes of the meeting held on 11 December 2023 as a correct record.

East Midlands Shared Services Joint Committee

24 June 2024

Subject:	East Midlands Shared Service Annual Report 2023/24.		
Corporate Directors	Simone Hines – Assistant Director of Finance, Strategic Property and Commissioning, Leicestershire County Council (LCC) Shabana Kausar – Director of Finance, Nottingham City Council (NCC)		
Portfolio Holder(s):			
Report author and contact details:	Lucy Littlefair – Head of East Midlands Shared Services 01163056333 lucy.littlefair@emss.org.uk		
Other colleagues who have provided input:	Jill Turner, Business Support Manager, Elaine Simpson, Finance Service Centre Manager.		
Key Decision	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	Subject to call-in <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Total value of the decision: None			
Section 151 Officer expenditure approval Has any NCC spend been approved by the Section 151 Officer? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/a Spend Control Board approval reference number: N/A			
Date of consultation with Portfolio Holder(s): N/A			
Summary of issues (including benefits to citizens/service users): This report provides the Joint Committee with a summary of the performance of East Midlands Shared Service (EMSS) during 2023/24.			
Exempt information: None			
Recommendation(s):			
1. To note the performance of EMSS during 2023/24			
2. To request that the EMSS Sponsors and Head of EMSS meet to discuss and develop an updated 4 year vision and strategic plan for EMSS by 1 September 2024.			

1 Reasons for recommendations

- 1.1 To report on the performance of EMSS for 2023/24 including Quarter 4 (Q4).
- 1.2 To provide the Joint Committee with an update on the progress of the projects within the Business Plan for 2023/24 and 2024/25.
- 1.3 To ensure that the Joint Committee can form a clear and accurate view of the performance of the service, reporting any highlights or concerns back into their own organisation.

2 Other options considered in making recommendations.

- 2.1 None, as EMSS is required by the Partnership agreement to provide performance updates to Joint Committee.

3 Performance Summary

- 3.1 2023/24 has been a positive and high performing year for EMSS. Amongst the highlights has been the successful insourcing of debt back into the Finance Service Centre, demonstrating its ability to provide high quality recovery services to the partners, hopefully a blueprint for future expansion in that area. For the Employee Service Centre, it has been a tale of two halves, with the first half of the financial year focussed on transitioning external customers to alternative payroll providers and managing as sensitively as possible the impact upon the workforce; and the second half of the year dedicated to rebuilding the service and the team, which has been a very positive experience. The Business Development Team continues to deliver high quality project support to the service, without them many of the projects would not have been delivered; as well as ensuring that the core financial, HR and Payroll system is well managed for the partners.
- 3.2 The year has ended with all service areas in excellent shape to continue to deliver high quality transactional services to the partnership and meet the challenges of operating in a difficult financial context.

4 EMSS Service / Business Plan 2023/24

- 4.1 During 2023/24 EMSS have 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.
- 4.2 Table 1 details the projects that have been completed during 2023/24, with the content of the report providing more detailed updates where relevant.

Benefits Key

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

Priorities	Benefits	Description	Status
Organisational - Developing EMSS Staff		Ensure all staff get an APR and the support they need personally and professionally.	Complete
Organisational - New Customer Strategy	 	To implement the strategy to improve the standards of customer service and release agent time to resolve urgent queries.	Complete
Organisational - New internal and external communication plans	 	To improve communications and engagement. Plans in place which detail how EMSS will communicate internally and with its customers	Complete
Technology - Gen 1 to Gen 2 infrastructure	 	This moved the non-SAAS elements of the Oracle system onto new hardware to ensure that the partnership was compliant.	Complete
FSC - Kefron - Phase 2	 	Further improved the functionality and performance of the Kefron invoice processing system.	Complete
Replacement bank account verification system	 	Review the current system that checks inputted supplier bank details are correct	Complete
FSC – LCC Oxygen implementation		Supported the LCC implementation of a new system to seek discounts for early payment of invoices.	Complete
FSC – Office move		Following a request from NCC, the team moved from the first to the ground floor.	Complete
FSC - Activity Based Costing		To record the FTE resource used on all FSC activities.	Complete






Priorities	Benefits	Description	Status
ESC - HCM and Payroll Transformation. Year 1		To stabilise the Employee Service Centre (ESC).	Complete
ESC - Cessation of Schools/Academy business		Withdraw from the education sector payroll service market.	Complete
ESC – Implementation of Assure system		One year contract to trial utilising an analytics tool to support the payroll service in identifying any errors.	Complete
ESC – NCC Changes to Pay Tables		The ESC implemented a new pay structure for NCC from Sept 23.	Complete
ESC- Oracle Recruiting Cloud		Implemented the Oracle recruitment module.	Complete

Table 1

5 Technology

5.1 It has been a busy year in terms of technology. With significant improvements being made in Oracle as well as new systems coming on stream.

Oracle

5.2 The first big change 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.

5.3 Significant work has also been undertaken in working with 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.

5.4 The partners purchased Oracle Guided Learning 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.

- 5.5 Another new feature resulting from the contract renewals was the introduction of Fusion Analytics Warehouse (FAW) for both finance and 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 £50K refund from Oracle.
- 5.6 Joint Committee will recall the very disappointing outcome from the Oracle Cloud Infrastructure (OCI) health check. This was undertaken 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 and all the identified weaknesses have been addressed in line with Oracle's recommendations. These included activating the automatic alert system, so if anyone tries to change the fundamental configuration, EMSS are alerted. A new OCI health check has been commissioned to ensure that the changes have been made and the system conforms with Oracle guidance.

ESC activities

- 5.7 In addition the ESC began work on implemented the seeded absence solution. This is fundamental to the stabilisation work and will lead to the move to seeded pensions for teachers.
- 5.8 The ESC has also introduced the Assure system. This is product by Egress for the checking of payrolls. 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 the day to day operation as well.

FSC Activities

- 5.9 The much greater stability of the finance system has allowed the FSC more opportunity to look for improvements to systems and processes. The first area delivered was to identify and implement an alternative bank account checking system. The system in use from Experian did not return an acceptable level of positive matches, this resulted in manual work to contact suppliers directly to confirm bank details and in turn creates additional work to satisfy suppliers that the request is legitimate. A system provided as a module on the existing BACS system was identified and procured. Bank verification processes are much improved.
- 5.10 The FSC have also been working with partners and Oracle to identify improvements that can be made by better use of functionality already available. This has included

an in-depth review of AR functionality to address some of the issues both EMSS and partners have identified. Further work on the PIVI carried out by Oracle is needed to deliver better value from the investment already made by partners.

5.11 The FSC has also delivered phase 2 of the Kefron implementation. Joint Committee will recall that Kefron provides the invoice processing system which takes invoices and inputs them into Oracle or rejects them back to the sender. Phase 1 delivered the original implementation however there remained the potential to move from a daily feed of invoices to one that operates in real-time. This was a complex more but one that delivers improved visibility of invoices as well as supporting other initiatives such as LCC's move to Oxygen, which looks to negotiate discounts for early payment of invoices and also implement this year.

Ongoing projects

5.12 Work is nearly complete on the move to the seeded sickness absence solution and this should be finished early in Q1 24/25.

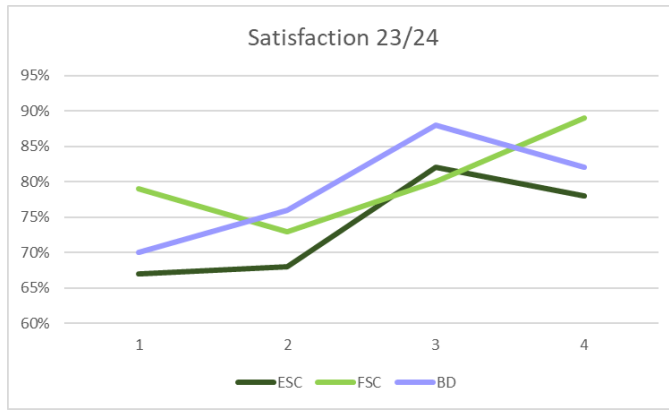
5.13 Now the partners have confirmed they wish to keep OGL, the work to complete the roll-out will continue. Again, this should be complete in early Q1 with BAU support moving from Oracle University to the EMSS Sys Admin Team.

5.14 Work is also progressing to finalise the plans for Redwood. This is the new look and feel for the Oracle system, and also includes new functionality. As with the analytics EMSS are looking into deliver as much using in-house resources, however these will still need to be some reliance on Mastek, especially in configuring new options. Unfortunately, the work on the 24b quarterly update has delayed their input.

6 Customer

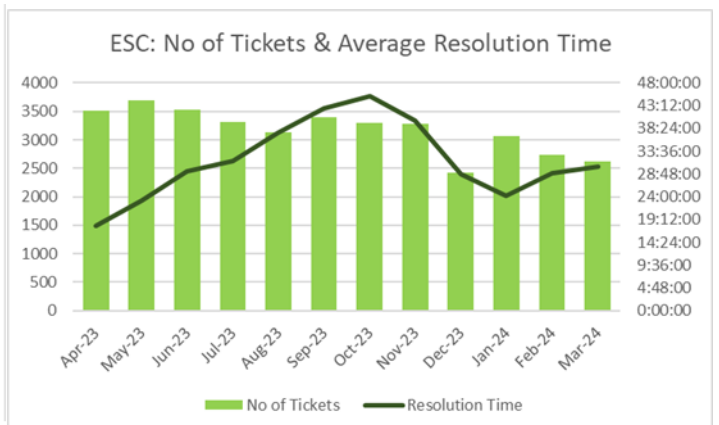
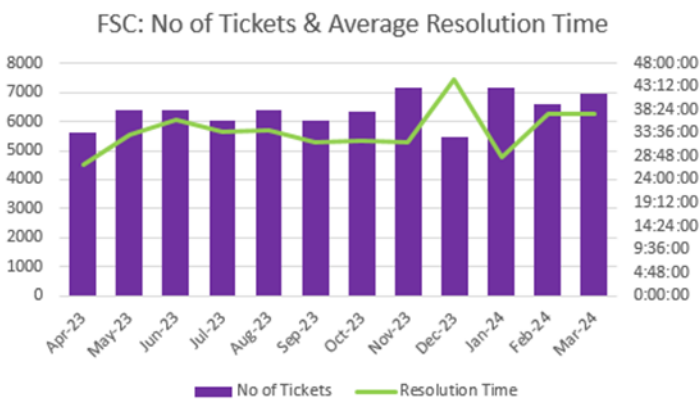
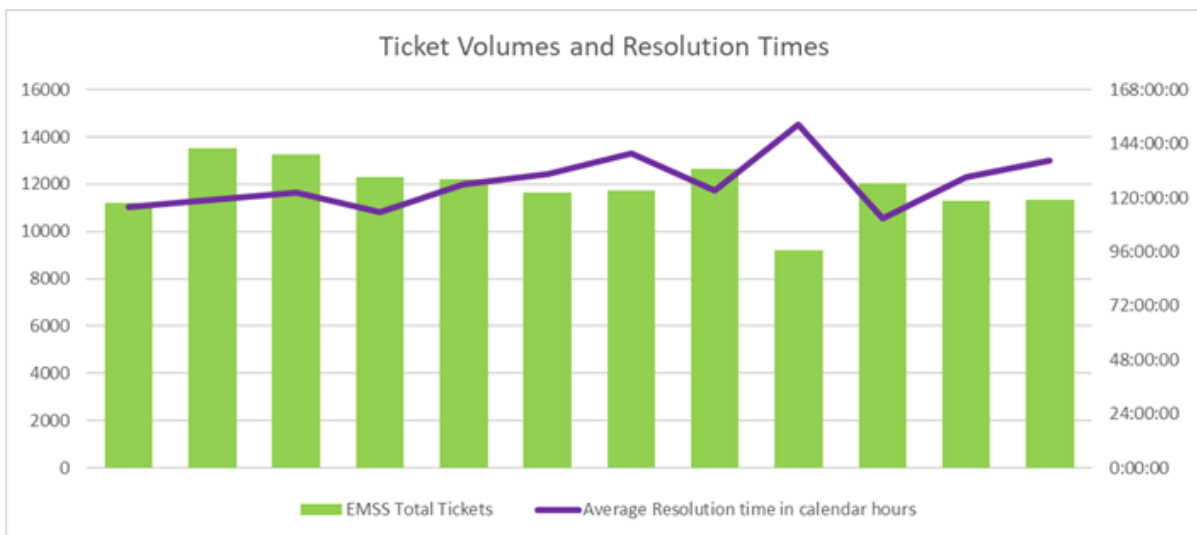


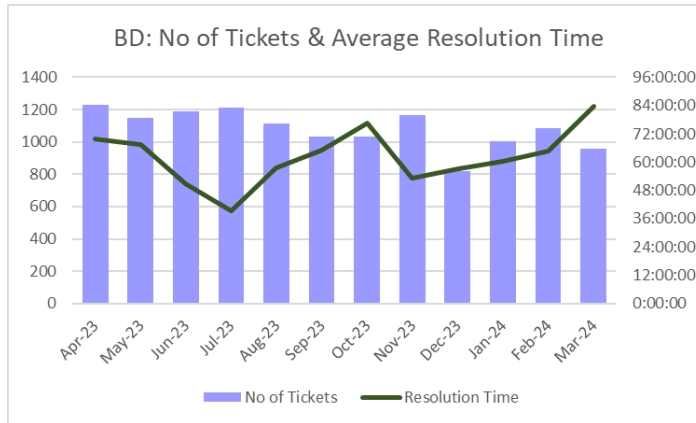
6.1 Performance through the year has been consistent with the move towards greater stability and improved outcomes. The overall trend for satisfaction is generally on an upwards trajectory. The graph below shows a snapshot of performance over the last four quarters.



It shows a strong upwards trend. The FSC has seen improvement since Q2 but the slight downturn in the ESC and Business Development has meant that overall satisfaction remains at 83%, just below the target of 85%.

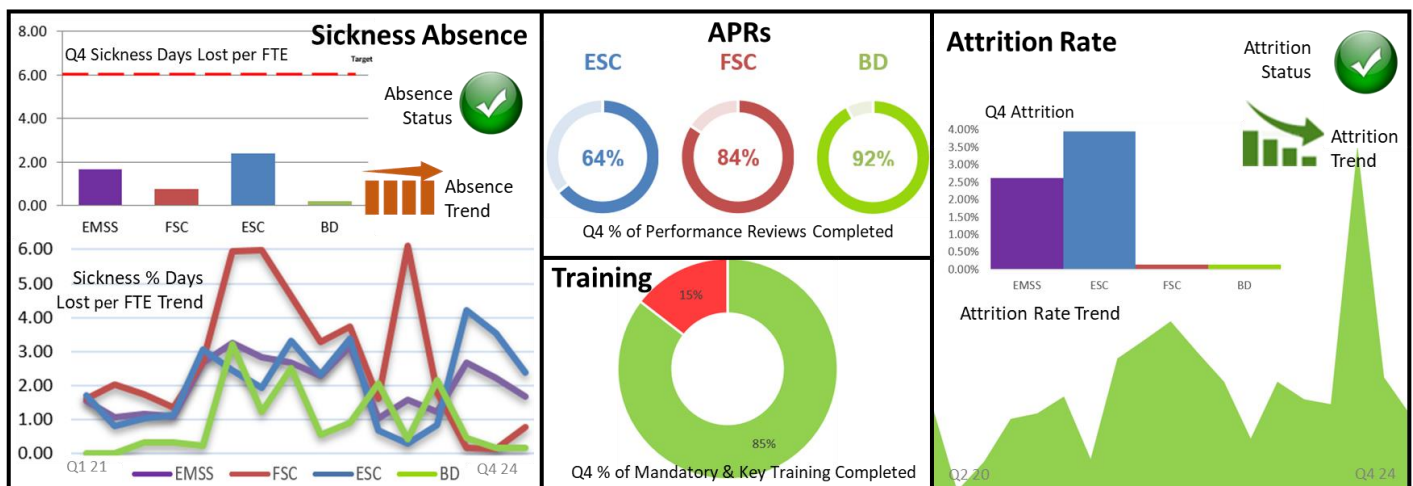
6.2 This trend towards a more stable set of results is also replicated in ticket volumes and resolution times. The graphs below show the performance for this year overall and then broken down by service.





6.3 The Customer Boards have been a major driver of focus and improvement. In order to continue to increase satisfaction, part of their remit is now to investigate common query types to understand what help our customers need and find easier and quicker ways to meet their needs. In addition, a new monitoring regime has been developed to support all those answering customer queries to provide a high quality response.

7 People

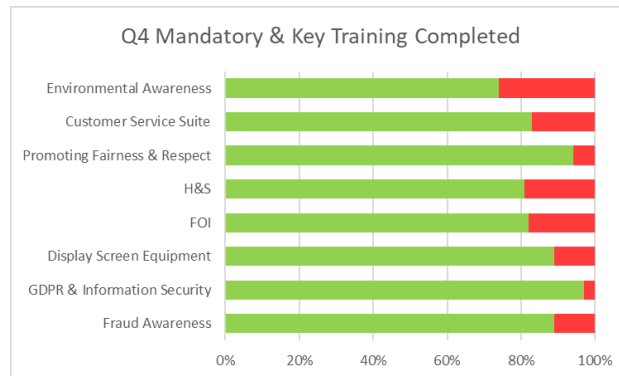


7.1 Overall sickness has fallen slightly to 2.22 days lost per FTE. The FSC saw a slight increase of 0.64 days. The rate in the ECS has fallen from 3.54 days to 2.39, hopefully this is a further signal that the service is consolidating after the major changes and reductions earlier in the year. It should be noted that the data available to ESC managers on absence rates, is different to that produced corporately. However, from Q1 in 24/25 work will be completed to reconcile both sets of figures to produce a more accurate outturn.

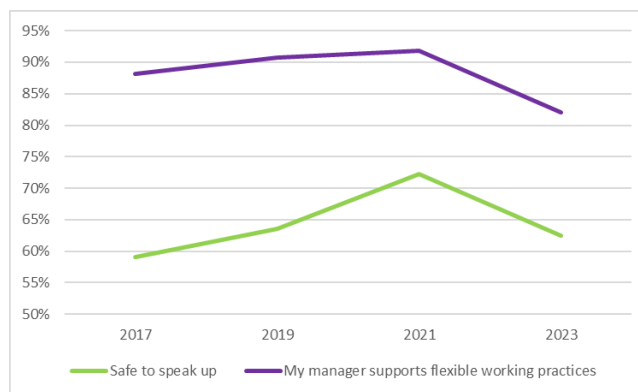
7.2 Annual performance reviews (APRs) have been a priority this year and this is reflected in the improved results. The rate for the ESC has reduced slightly but this is a reflection that these have fallen due again.

7.3 The completion of mandatory training modules has improved significantly with 85% of all required training complete (up from 78% in Q3). This is the result of a focused

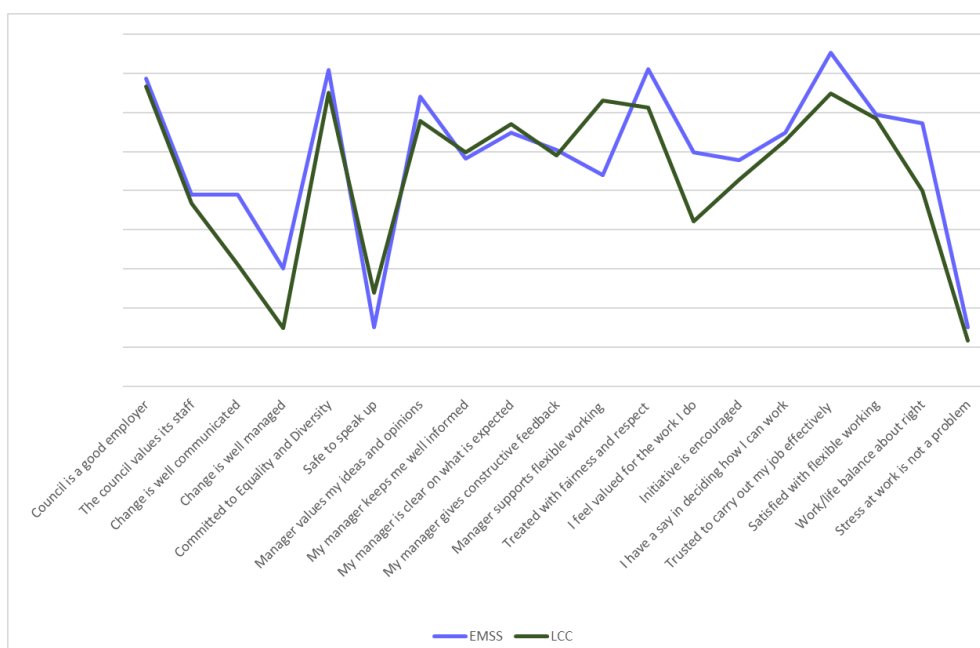
effort across all teams but did also include some long over-due record cleansing to remove contingent workers and leavers from the system.



7.4 The 2023 LCC Staff Survey brought up some unexpected results on 'my manager supports flexible working practices' and 'I feel safe to speak up'. The scores were much lower than in previous years. The graph below shows the change from 2017 to 2023 on these two questions.



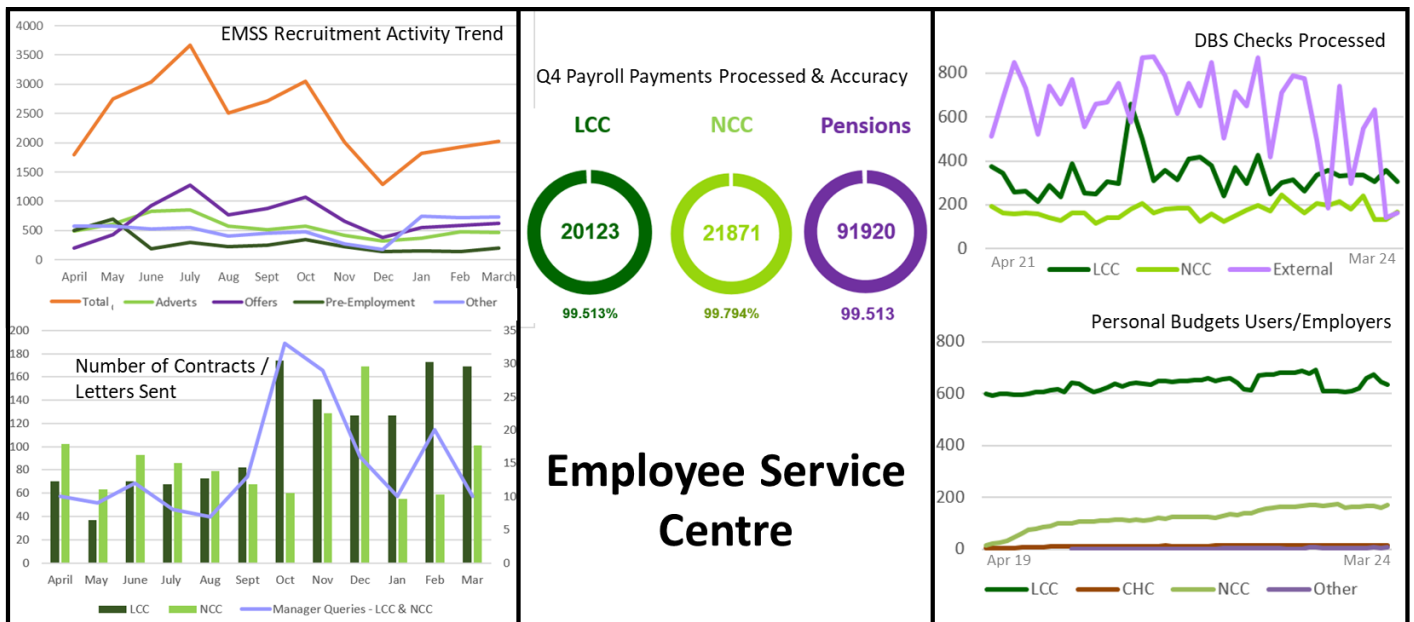
7.5 They were the only questions where EMSS staff were less happy than their LCC colleagues, as is shown below.



7.6 On the question support for flexible working, the ESC Management Team reviewed their approach and policy and implemented some changes to bring their practice in line with teams elsewhere. It is anticipated that this will have resolved this issue.

7.7 On the question of feeling safe to speak up, Appendix A provides Joint Committee with an update on the additional work undertaken to understand in more detail the root cause of the concerns and the proposed action plan to address them.

8 Service Performance – Employee Service Centre (ESC)



8.1 The ESC ended 2023/24 is in its most positive position since 2020, able to deliver a robust and consistent payroll service.

8.2 The Transformation Plan set out the priorities and activities across four phases:

- Stage 1 Foundation April 2023 – September 2023
- Stage 2 Deliver the Basics October 2023 – March 2024
- Stage 3 Develop the Service April 2024 – September 2024
- Stage 4 Optimise the Service October 2024 – April 2025

8.3 In summary, significant progress has been made on many aspects of the plan:

- Reduced the complexity of the operation by pulling out of the education market.
- Successfully managed the budget this financial year, delivering an underspend.
- Team Leader training on leadership / effective management
- Clarity on ESC delivery model – what services we provide and process ownership
- Monthly account meetings
- Closer working relationship with HR colleagues
- Overpayments project

- Rebranding the support portal
- Monthly Customer Boards
- Change Boards
- Payroll apprenticeship programme supports the ESC commercially.
- Development Team has delivered a huge programme of work in last 12 months

- 8.4 The ESC Transformation Plan has delivered significant benefits for the service, with the decision to withdraw from the education market being the most impactful. In early 2023, the service faced extensive and complex work to address the underlying system issues; and was struggling to deliver a high quality service to its customers.
- 8.5 255 schools and academies were given notice in February 2023 and smoothly transitioned to alternative providers by the end of August 2023. It was a huge project, involving the migration of data, liaison with new providers, supporting maintained schools through regular communications, discussions with finance colleagues and managing queries.
- 8.6 The decision to cease trading with schools and academies, triggered a restructure of the ESC and resulted in 3 staff finding alternative employment externally, 6 being redeployed or taking up opportunities within LCC, 16 taking voluntary redundancy and 3 being made compulsory redundant. All the staff leaving were offered a wide range of support including Employability Skills workshops on building CV's, how to apply for jobs, interview techniques and welfare checks. A special event was very well attended by staff on the 31 August 2023, to thank colleagues for all their hard work and service and gave everyone an opportunity to say goodbye.
- 8.7 Q2 was a challenging period for the ESC, as the education sector payroll customers transitioned to external customers over the summer months and 28 staff exited the organisation. The workload was high during the holiday period. Payroll records had to be closed on Oracle and information provided to schools to enable their new providers to set up new records in time for their first pay day. However, the transition was a success due to the dedication of all staff within the ESC. The professionalism of managers and staff during that time was remarkable.
- 8.8 September 2023 was positioned internally as the start of the 'new' ESC. Many of the team leaders and staff had moved teams, so the management team held a number of briefings sessions to reinforce the vision for the service and the part staff had to play in delivering that vision.
- 8.9 Q3 saw the ESC show some considerable signs of stabilisation in its processes and procedures. The operational benefits of reducing the complexity and volume of the payroll service had started to show. For example, November was the first month that the service returned to pre-implementation (2020) timescales for closing the payroll, meaning staff received their payslips earlier.
- 8.10 Unfortunately, pressure has remained for some managers and staff, as the service being provided to LCC maintained schools by one of the external payroll providers – Dataplan/IRIS, has been poor. Resulting in additional and unnecessary work in relation to Teachers' Pensions and the statutory returns, alongside fielding queries from schools.

- 8.11 Despite this, the operation is functioning well and improving on a monthly basis. In 2023/24 the ESC processed 191,889 payments for NCC, LCC and external customers. The team also processed 363,836 payments to pensioners of the Leicestershire Pension Service through the Altair system.
- 8.12 The accuracy rates of the payroll are based upon the number of errors identified by employees, managers or EMSS after payday. The performance for 2023/24 is 857 errors out of a total of 191,889 payments (a rate of 0.45%). The source of these errors can originate both with the manager and the ESC. The improvement in the payroll accuracy can be seen in the decrease of manual BACS payments made compared to last year. There has been a decrease of 32.75% or 431 payments.
- 8.13 The ESC is now monitoring overpayments closely each month to ensure that debts are pursued immediately either by issuing an invoice or negotiating agreements for recovery via payroll. Work is ongoing with partners to try and reduce some of the common errors/issues which create overpayments. The number of overpayments across both partners had reduced significantly, since October 2023 from 19 at a cost of £36,172 to 3, costing £1,642.
- 8.14 In 2023/24, HR Admin colleagues produced, 3,807 contracts and letters for LCC and 3,023 for NCC. Work is ongoing to ensure that this team has visibility of all transactions that are completed through Manager Self Service (MSS), with error rates monitored. Work has been done with each partner organisation to identify the correct way for these transactions to come into the ESC to help give clarity to managers and the supporting HR teams.
- 8.15 The total number of DBS checks completed in 2023/24 was 16,093, which is 1,611 (9%) lower than last year (largely due to a decrease in NCC usage). The ESC has recently onboarded Blaby District Council as a new customer. The ESC is also working closely with DBS authority to ensure that checks are achieving a high level of compliance.
- 8.16 The new recruitment system - Oracle Recruiting Cloud (ORC) went live in April 2023. During the transition from the old to the new system, support mechanisms were put in place, including a live chat facility to ensure that managers could access help as they needed it.
- 8.17 However, it was not until Q3 that the ESC saw the new ORC processes established, as demonstrated by a decrease in the number of requisition templates rejected for missing information and a considerable decrease in the number of managers contacting the service desk for advice. For example, the number of queries regarding ORC in Q2 was 382, decreasing to 45 contacts in Q3. There was also significant improvement in the service that the recruitment team delivered, achieving the agreed SLA of 24-hour turnaround on adverts and offers by the end of Q3.
- 8.18 On average, the recruitment team processed 417 adverts in Q3 and 2142 adverts during 2023/24, a decrease of 14% on the previous year due to increased control on

recruitment in both Councils. The number of new appointments processed was 2311, a decrease of 36% from last year.

8.19 A key priority for the service this year has been improved engagement with HR colleagues in the partner Councils. In September 2023, new monthly separate LCC/NCC account meetings were started, discussing any operational issues, overpayments, and future development plans of each partner. These have been well received and the feedback from the partners on the 'new' ESC has been excellent:

LCC - 'I want to say thank you to all the ESC team for all their hard work. We have noticed the impact that being able to deliver the service solely to partners has had. By having the time to really get underneath some longstanding issues and time to regularly communicate, we've been able to resolve so many things as well as rebuild a closer working relationship. There is still work to be done but I think we are all learning from each other, we won't always get it right first time, that applies to us in People Services as well as the ESC but the willingness to learn and improve our processes is making a difference.'

NCC - 'Since the ESC reorganisation in September there has been a demonstrable improvement in services from across the whole of the ESC. Tickets are responded to promptly. Payroll is managed, including picking up errors and issues frequently before they even impact on colleagues. Support for managers undergoing recruitment activity is responsive and clear, they certainly appreciate having a named contact. Everyone in the ESC should be so proud of their hard work and effort in providing quality services to the partners, NCC certainly appreciates it- Thank you to everyone.'

8.20 The Developments Team in the ESC continue to focus on rectifying the legacy issues from the implementation of the payroll system and missing standard functionality. The key project during 2023/24 has been the preparation and work to 'back out' the customised absence scheme that the partnership had to put in place during the implementation of Oracle in 2020-22.

8.21 The project is due to complete in June 2024 and will swap the customised functionality for the latest version from Oracle. It is a significant project as it covers all aspects of absence, e.g., maternity, sickness, jury service and will alter the basis upon which many payroll calculations are made.

8.22 Alongside the absence project, the ESC development team are also updating some of the LGPS functionality, again to back out customisations that were previously required as Oracle did not have the necessary capability. Once the absence and LGPS projects are complete, the team will turn their attention to implementing the seeded Teachers' Pensions Scheme and a new statutory return.

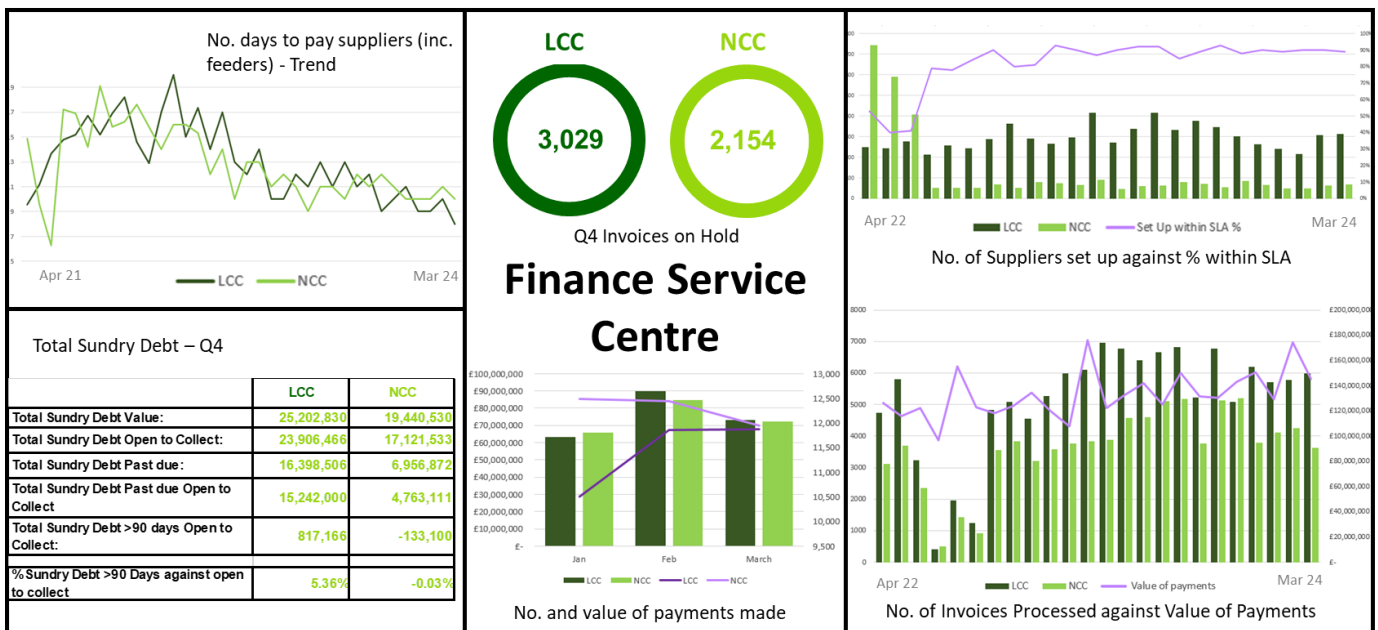
8.23 In addition, during 2023/24, the Development Team delivered the following:

- NCC Grade Restructure
- Compiled and implemented the ESC Developments Team Workplan, which is a vital part of the overarching ESC Transformation Plan

- Maintained School Pay Award and supported the process of off-boarding the schools / academy business
- Implemented the Pay Award for LCC and NCC
- Launched the Level 5 apprenticeship course alongside the Level 3 programme continuing to go from strength-to-strength

8.24 The focus for 2024/25 is the recruitment to the vacant ESC Manager role, which the Head of EMSS has been covering since September. They will be responsible for delivering phases 3 and 4 of the Transformation Plan.

9 Service Performance - Finance Service Centre (FSC)



9.1 The FSC has continued to perform well with sustained improvement for supplier set-ups, completing 1,019 new supplier accounts in Q4 with a downward trajectory for the time taken to pay suppliers. In Q4 the FSC also made over 71,000 supplier payments totalling £449 million. Invoices on hold remain stable at 3,029 for LCC and 2,154 for NCC. It should be noted that these volumes include invoices that require coding or approval by the service area. The average days to pay trade suppliers stands at 18.6 days for LCC and 18.5 days for NCC (excluding feeders). AP year on year volumes and values are stable.

9.2 The FSC has also supported the rollout of LCC's No PO No Pay (NPNP) policy by overseeing a new configuration that allows suppliers exempt from a PO to be processed, and items requiring a PO to be rejected if a PO number is not provided on the invoice. There is an expectation that NCC will roll their NPNP policy out soon when the same support will be extended. The early data for the NPNP process for LCC looks to be a success. Multiple and repeated communications were issued to suppliers and internal staff to make sure they were aware of the change, which has helped reduce issues and complaints and improved compliance. The FSC was heavily involved in creating and circulating these communications.

- 9.3 The FSC supported Leicestershire with the Oxygen Supplier Early Settlement project, ensuring that the relevant system configuration changes were made in Oracle and Kefron and these were fully testing and signed off.
- 9.4 Phase 2 of the Kefron Supplier invoice validation is now live, this sees further improvement to the scanning and processing of supplier invoices via an application programme interface (API) feed. Invoices are captured and fed into Oracle via a live data feed rather than a daily file upload, creating real-time processing. This has worked particularly well in line with LCC's Oxygen Finance early settlement project, as supplier invoices are in the system for processing within 15 minutes of being submitted (providing the invoice is valid).
- 9.5 The collections project has seen all sundry debt collection activities transferred to the new in-house collections team in the FSC. This project started in January 2023 with public sector debt, followed by the business and commercial sector in July 2023 and the individual and consumer sector in April 2024. The project covers approximately £38 million of debt across both LCC & NCC. Some of the key benefits are detailed below:
- The in-house Collectors have full ownership of their ledgers and actively work on all accounts within their portfolio. Thornton Hope, the external provider, only covered the top 80%.
 - In-house Collectors are proactively chasing payment dates on upcoming due invoices. Not waiting for debt to age before customer contact is made. The impact of this is shown in the tables below.
 - Collectors are developing good relationships with customers and partner service areas (PSA)
 - Proactively contacting the PSA regarding disputed invoices to ensure a speedy resolution is reached where possible.
 - Collectors are also supporting the AR team by looking at unapplied receipts and suspense accounts to ensure these are allocated to the correct accounts keeping the value of unallocated amounts as low as possible.
 - Collectors ascertain if refunds are due and prepare the necessary work which is then completed by AR colleagues.
 - The Collections Strategy has been rewritten to reflect the more inclusive service offered by the FSC, this includes keeping the debt for longer before referring it back to the council for a decision, ensuring that activity is exhausted before it is handed back.
 - While invoice disputes are not within the FSC's remit for resolution, full visibility and regular lists of items that require resolution or escalation are provided via monthly email bursts which are sent to partner service teams. This is to encourage these disputes to be resolved as soon as possible.
 - Similarly, monthly email bursts are sent to service areas for all no longer referred debt. This is where debt falls out of EMSS scope and requires a decision as to how the partners wish to proceed. Now all debt is managed in-house this has been renamed 'collection strategy exhausted' which is a clearer

description of the issue and prompts service areas to provide the advice needed by EMSS.

- In-depth KPI reports provide a full overview of performance and focus. Regular meetings are held with partners to discuss the performance and any areas of concern that require escalation to Heads of Service.

9.6 Following the completion of the In-House Debt project, the reduction in past due open-to-collect debt from April 23 to March 24 can be seen in the tables below showing over a £5.5 million reduction in past due debt over the last 12 months.

LCC Open to collect - past due debt					
Sector	Apr-23		Mar-24		Movement
Business	£	2,010,087	£	1,603,922	-£ 406,165
Education	£	1,815,766	£	640,085	-£ 1,175,681
NHS	£	12,095	-£	18,655	-£ 30,750
Pub Sect	£	1,294,274	£	175,193	-£ 1,119,081
Individuals	£	229,011	£	941,455	£ 712,444
Totals	£	5,361,233	£	3,342,000	-£ 2,019,233

NCC Open to collect - past due debt					
Sector	Apr-23		Mar-24		Movement
Business	£	1,211,207	£	890,790	-£ 320,417
Education	£	1,678,440	£	402,046	-£ 1,276,394
NHS	£	1,664,477	-£	426,280	-£ 2,090,757
Pub Sect	£	497,997	£	673,227	£ 175,230
Individuals	£	59,264	£	123,328	£ 64,064
Other	£	40,630	£	-	-£ 40,630
Totals	£	5,111,385	£	1,663,111	-£ 3,488,904

10 Procurement Update

10.1 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.



















10.2 Looking forward there will be a procurement exercise to identify a replacement bank account verification system as well as an exercise to review the market for a suitable BACS system. Currently there are only four providers who have the required functionality that are approved by BACS, so advice has been sought from Procurement colleagues on how best to process.





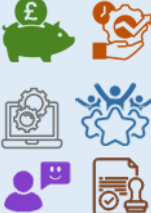







11 EMSS Service / Business Plan Priorities 2024/25











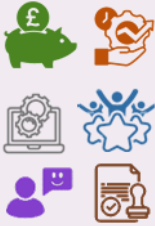

11.1 The following table details the priorities for EMSS in 2024/25.

Benefits Key

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

Project / Priority	Target End Date	Benefits	Description	Status	June 24 Update
Organisational - Performance Reporting	Sept 24 Work will be ongoing to deliver further improvements	  	Improve reporting capability and measures. Automate and improve use.		Following a demonstration of FAW, work is underway to use the new systems to produce reports and data.
Technology - Oracle EBS archive	March 25	 	To transfer the data in EBS to an archive state		Work is underway to assess the post March 25 options
Technology - Oracle Analytics implementation	June 24	  	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	July 24	   	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	July 24		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

Project / Priority	Target End Date	Benefits	Description	Status	June 24 Update
Technology – Oracle Redwood Implementation	Feb 25		Oracle have developed a new interface /front end for their system which is being rolled out module by module		Planning continues however the 24b quarterly patch has slowed the input from Mastek
Review of the Oracle Support Service	Sept 24		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	Feb 25		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	Mar 24		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 the Sponsors / partner colleagues for internal scrutiny and comment. Work to incorporate their comments and complete the review is underway.
FSC – Duplicate payment identification system replacement	Dec 24		The current system requires upgrading		Currently investigating whether to purchase a system or development in-house.
FSC – Oracle Post Implementation Value Investigation (PIVI)	Oct 24		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

Project / Priority	Target End Date	Benefits	Description	Status	June 24 Update
FSC - Dialler system and SMS software	Nov 24		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	Jan 25		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	Ongoing		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	Sept 24		Self-serve portal to get copy invoices and view account		Work has restarted on this project and defects appear to have been rectified. Working with IG to ensure safe dispatch of invoices
Paperless Direct Debits	Sept 24		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
ESC - HCM and Payroll Transformation. Year 2	Mar 25		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.








Project / Priority	Target End Date	Benefits	Description	Status	June 24 Update
ESC – Implementation of ‘seeded’ absence, LGPS fixes and seeded Teachers’ Pension Scheme	Sept 24		Required to move from custom to seeded absence scheme within payroll system by August 24.		Implementation of seeded absence due to complete in June 24. Decision pending on whether to continue with current plan re Teachers’ pension Scheme and MCR.
ESC – resolve ‘reducing balances’ element issues	Nov 24	 	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 due to commence on the remaining elements which don’t reduce properly after the completion of the work above in June 24
ESC – Office move	Sept / Oct 24		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.

Table 2

11.2 Work is outstanding to discuss and update the vision for the shared service in the short to medium term, to ensure its plans are aligned with the strategic priorities of each of the partner councils. It is requested that the Sponsors provide the direction required by September 2024, to ensure any requirements are included in the budget setting process, updated Medium Term Financial Plan and Strategic Plan for the next four years.

12 Finance colleague comments (including implications and value for money/VAT)

12.1 In compiling this report discussions have taken place with the Head of EMSS - Lucy Littlefair, EMSS Sponsors - Shabana Kausar and Simone Hines, and Susan Baum Finance Business Partner for EMSS.

13 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

13.1 None

13.2 There are no Crime and Disorder Act implications considered to arise directly from this report.

14 **Social value considerations**

14.1 None

15 **Equality Impact Assessment (EIA)**

15.1 Has the equality impact of the proposals in this report been assessed?

An EIA is not required because the report does not involve changes to staffing or services.

16 **List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

16.1 None

17 **Published documents referred to in this report**

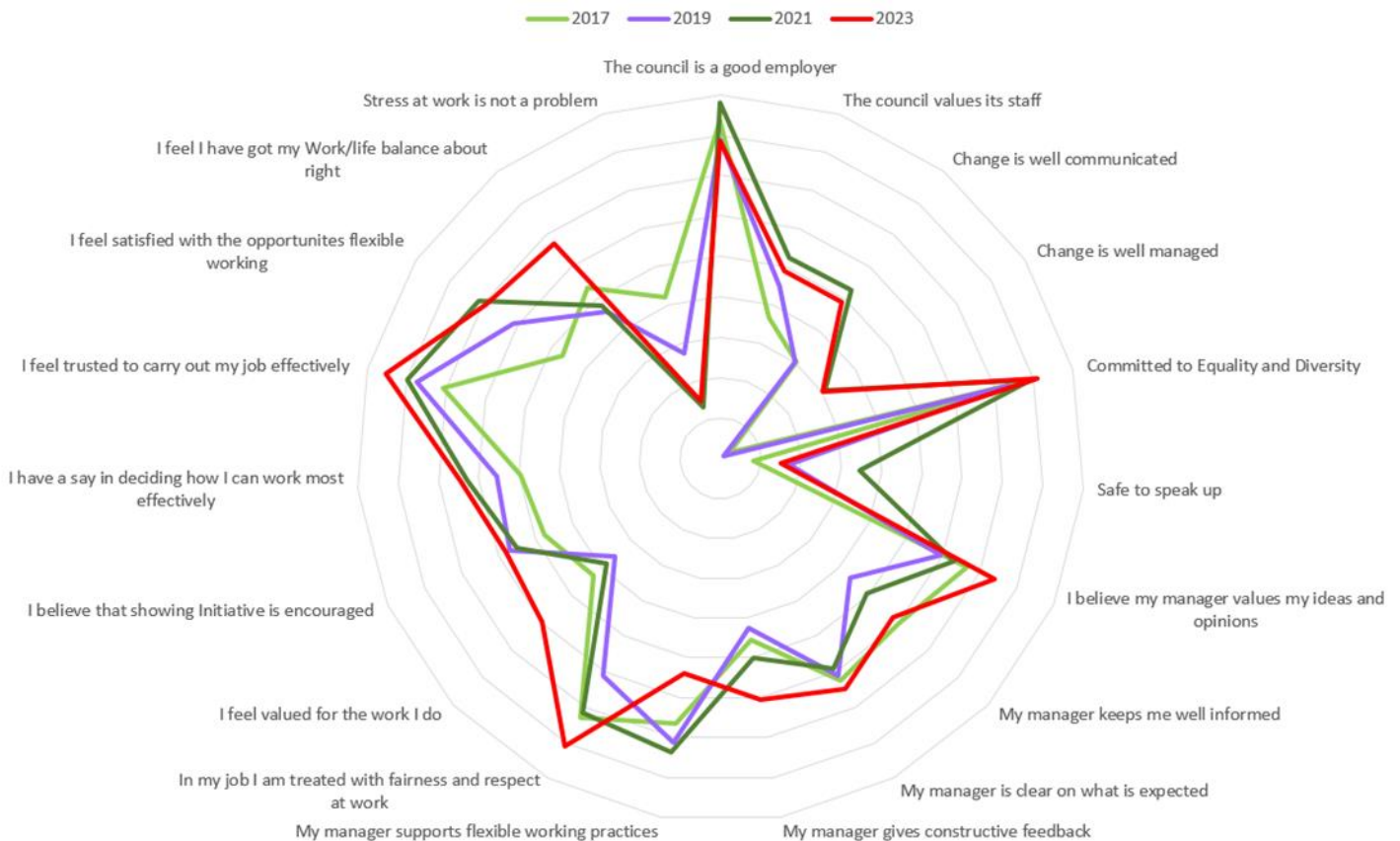
17.1 None

Appendix A

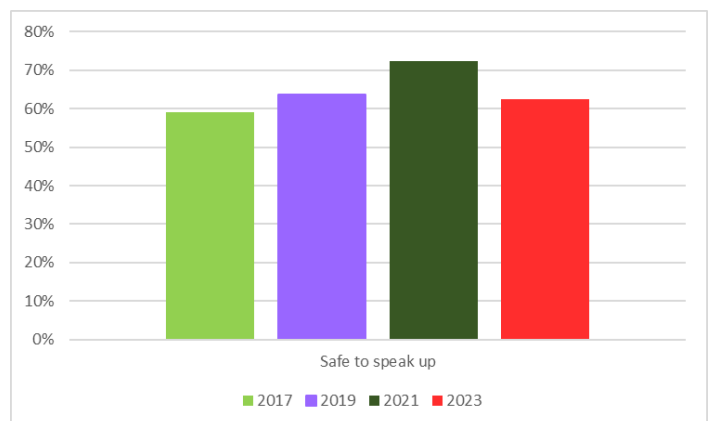
Staff Survey Action Plan

Background

LCC reran its Staff Survey in 2023. Due to the difficult business decisions taken in the ESC and the effect on staff, there was an assumption that overall satisfaction results would decline. However, as the chart below demonstrates, most staff responded positively.



However there were two exceptions. Staff felt that their managers did not support flexible working and they did not feel as safe to speak up. This plan looks at the latter question and seeks to understand why staff feel as they do and what actions will be taken to improve their confidence. The graph to the right shows the change over time in feeling safe to speak up.



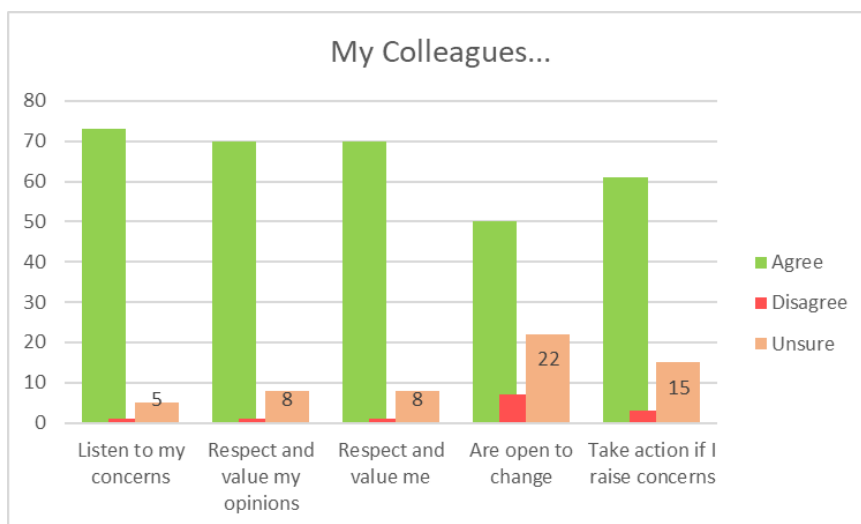
New survey and results

A new survey was undertaken to understand in what circumstances staff do not feel safe, this included who they were talking to and on which subjects. Staff were asked to say to what extent they agreed about a number of statements as they related to their colleagues, line manager and senior managers, these were:

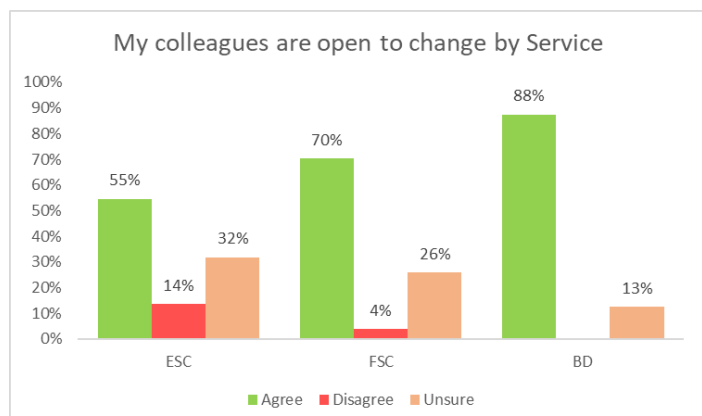
My colleagues / line manager / senior managers:

- Listen to my concerns
- Respect and value my opinions
- Respect and value me
- Are open to change
- Take action if I raise concerns
- Is confidential with concerns (only for manager questions)

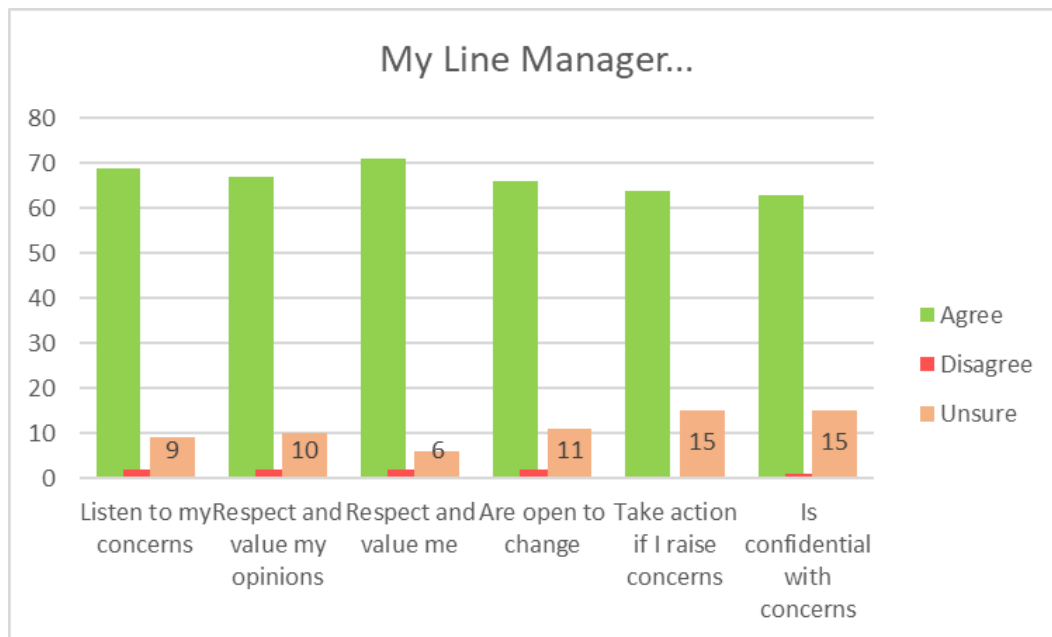
The graph below shows the response to questions about colleagues. As can be seen generally speaking the vast majority of staff feel valued and supported by colleagues and are able to speak freely.



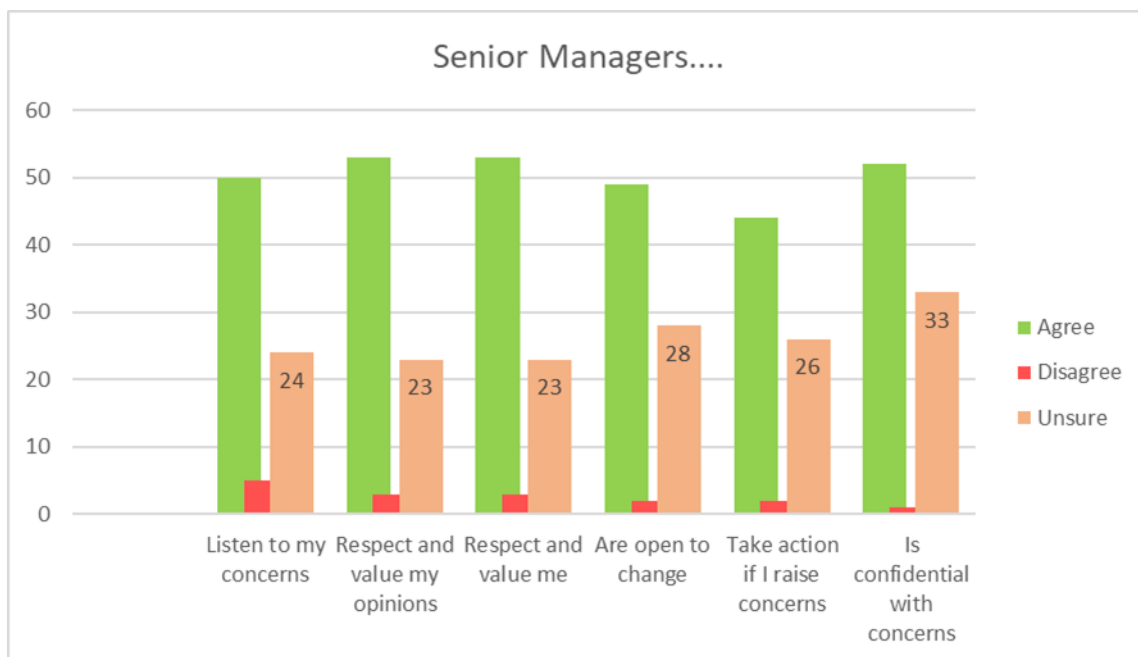
The only slight negative point is the proportion of staff who feel their colleagues are not open to change. Breaking these figures down the graph below shows that these concerns are primarily within the ESC, possibly as a result of the large-scale changes that service has seen over the last year.



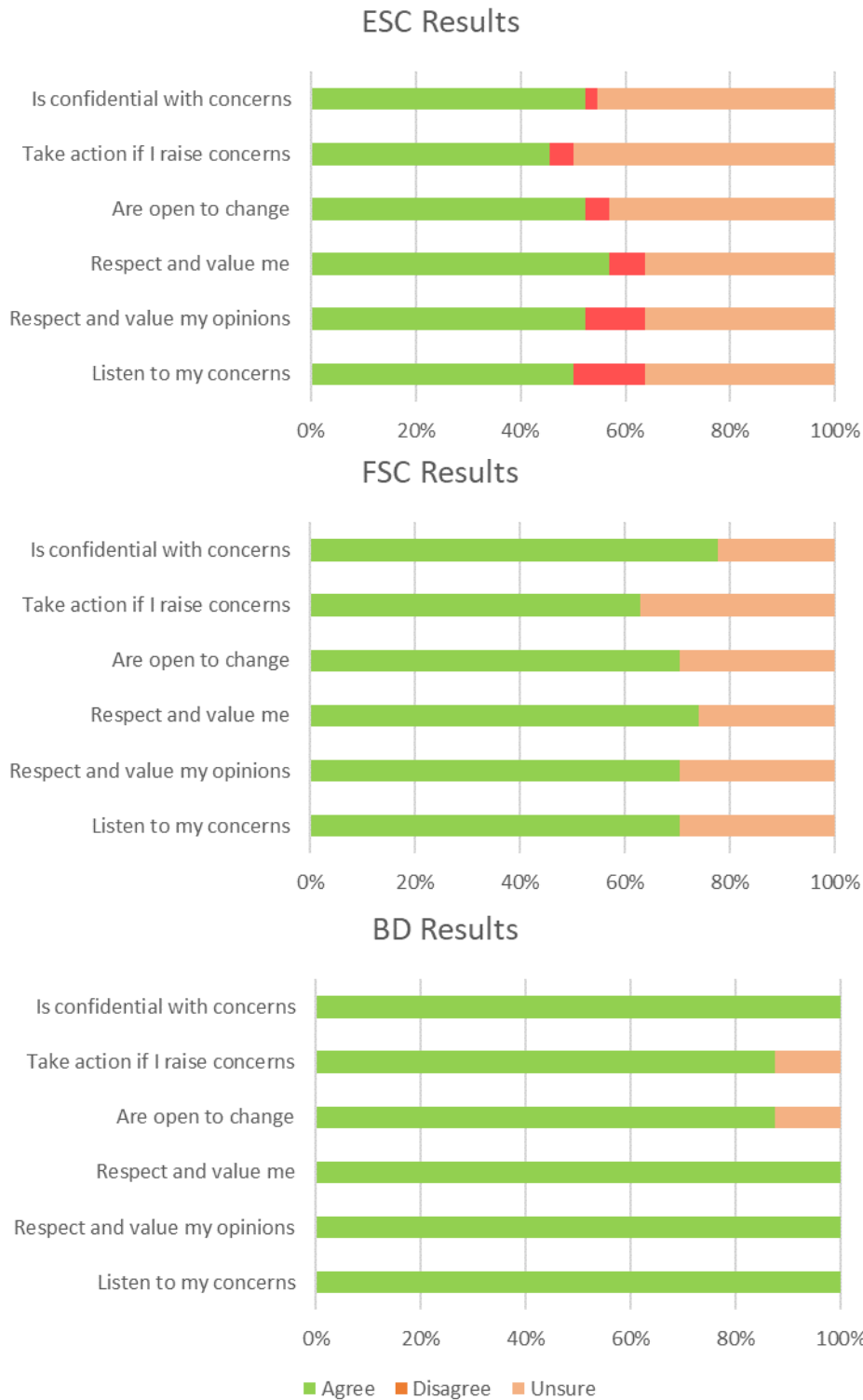
Looking at the responses for line managers, again these are positive with little cause for concern.



However the results for senior managers are less positive. Only 63% of staff were sure that senior managers listened to them (compared with 87% for line managers). 42% of staff weren't confident that senior managers shared their concerns in a way that protected their confidentiality (again compared to 19% for line managers). Many staff are unsure that senior managers respect them or their opinions and in fact 4% of staff actively believe they do not. The graph below shows the results.



In order to breakdown the senior manager scores they have been broken down by service in the graphs below.



Again colleagues from the ESC are much less likely to feel positively about their senior managers. However as can be seen there are also issues with confidence

within FSC colleagues as well. Subject to further investigation the cause of the lack of confidence in senior managers in the ESC and FSC is thought to be:

- As a result of more limited time in the office and therefore reduced time spent with senior managers, especially for FSC colleagues.
- The continued impact of the major restructuring of the ESC during 2023. Since then significant effort has been put into working with staff to ensure that they have the tools and support necessary to feel confident in their new teams and roles. It is planned to rerun this survey for ESC colleagues before the summer break to see if this activity has improved confidence.
- News and communications not being perceived as not coming from managers but from the EMSS Comms Lead.

Action Plan

Action 1 Improve familiarity with Senior Managers

Ensure that staff do interact with more senior colleagues when in the office. This will mean ensuring that managers attend the office on specific team days. Managers can make themselves available to answer questions but more importantly to make sure they are familiar with all staff, especially those who have joined since March 2020.

Action 2 Increase the number of Listening Sessions

These sessions are run by the Head of EMSS and senior managers and allow a small group of staff to talk about whatever they wish. They ensure that the agenda is set by staff and not by managers and provide useful feedback and ideas for improvement. Currently we try to run a session each month but these will be increased to ensure that every member of staff has an opportunity to attend a meeting each year.

Action 3 Have a named sponsor for new initiatives

Usually new ideas and initiatives are announced in the EMSS staff newsletter. This goes out every month and is a useful tool for sharing important information. Where we would like more response from staff these items will be presented by a named senior manager and feedback sent specifically to them. This should again build familiarity with managers as well as increasing debate and sharing ideas.

Action 4 Rerun survey

As stated above there has been a major assumption that the general less-favourable results in the ESC are a consequence of the major restructuring to that team. Since then a lot of work has been put into supporting all ESC colleagues and ensuring they have the tools they need for their jobs. The survey will be rerun in the summer to ensure that this support is improving the working lives of staff.

East Midlands Shared Services

Delivering quality, affordable and resilient support services to the public sector



**East Midlands Shared Services Joint Committee
24 June 2024**

Subject:	East Midlands Shared Services - Budget outturn 2023/2024 and 2024/25 budget update.	
Corporate Director(s) / Director(s):	Simone Hines – Assistant Director of Finance, Strategic Property and Commissioning, Leicestershire County Council (LCC) Shabana Kausar – Director of Finance, Nottingham City Council (NCC)	
Portfolio Holder(s):		
Report author and contact details:	Susan Baum – EMSS Finance Business Partner (LCC) Lucy Littlefair – Head of East Midlands Shared Services	
Other colleagues who have provided input:	None	
Key Decision	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Subject to call-in <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Total value of the decision: N/A		
Section 151 Officer expenditure approval		
Has any NCC spend been approved by the Section 151 Officer? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/a		
Spend Control Board approval reference number:		
Date of consultation with Portfolio Holder(s):		

Summary of issues (including benefits to citizens/service users):

The report provides the Joint Committee with an update on the outturn position of the East Midlands Shared Service (EMSS) and Oracle/ICT spend for the financial year 2023/24 and use of reserves. An update on the spend against earmarked funding for continuous improvements, which are separate to the EMSS partnership contributions, is also provided.

These financial results will be included in the financial reporting of both Nottingham City and Leicestershire County Councils

Exempt information:

None

Recommendation(s):

1. Note the outturn position of EMSS for 2023/24, reporting an overspend of £12 thousand. Additional contribution made by each partner authority was £6 thousand.
2. Note the reserve position.
3. Note the spend against additional earmarked funding for completing the Fit for the Future programme and stabilising the Employee Service Centre and HR/Payroll System.

1. Reasons for recommendations

- 1.1 To provide the Joint Committee with the outturn position of the EMSS for the financial year 2023/24; an update on the reserve position; and acknowledge the restated spend against additional earmarked funding - approving any additional funding requirements.

2. Background (including outcomes of consultation)

- 2.1 EMSS receive income from a small number of external organisations for whom they deliver work on their behalf, but the majority of funding is received from the two partners of Nottingham City Council (NCC) and Leicestershire County Council (LCC). For 2023/24 the partnership funding contributions are £3.043 million (or 54.3%) by NCC and £2.559 million (or 45.7%) by LCC towards the net overall cost.
- 2.2 These allocations are based on the original (as-is) pooled budget contribution to the EMSS by NCC and LCC in 2010/11 amended according to whether subsequent changes to costs/income are a) on-going or one-off and b) a direct cost to a specific partner or shared.

2.3 Historically reserves were available to fund redundancy/settlement costs; invest to save initiatives; exceptional operational demand and/or IT expertise to advise on development and process improvements. With the level of the reserve depleting below best practice, the Joint Committee approved at its meeting in June 2022 the removal of the reserve and agreed that the EMSS will be treated as any other internal service within each partnering authority.

2.4 This means that once the balance of reserve is fully depleted partners will be expected to fund any operational overspend arising in year on a 50:50 basis. Equally any operational surplus will be shared on the same basis (50:50). Pay award/inflation will be fully funded, growth bids are to be submitted as part of the MTFP process and savings targets to continue.

2.5 Approval will continue to remain the responsibility of the Joint Committee, however, partners now need to report their share of any variance against the agreed partner contribution as part of their internal reporting processes. No further changes are to be applied to existing financial management and reporting arrangements.

3. Other options considered in making recommendations

3.1 The requirement to provide financial outturn position to the Joint Committee is a key part of the financial management process and therefore, no other options were relevant.

4. EMSS 2023/24 Financial Outturn Position

4.1 The overall outturn position for EMSS on 31st March 2024 (period 12) was £5.61 million, which represents an overspend of £12 thousand (or 0.2%) against the approved budget for the year. This represents a cost increase of £50 thousand when compared to the last Joint Committee report (January 2024, which was based on Period 10 forecasts). Table 1 below provides a summary of the 2023/24 outturn position by service.

EMSS Financial Summary By Cost Centre		2023/24 Approved Budget	2023/24 Outturn	Variance
62203	Finance Service Centre (FSC)	£1,377,191	1,366,357	−£10,834
62204	Employee Service Centre (ESC)	£1,752,763	1,681,380	−£71,383
62205	Mgt & Business Development	£356,110	309,083	−£47,027
EMSS Operational Costs		£3,486,064	£3,356,820	−£129,244
62202	ICT ongoing	£2,115,900	2,256,876	£140,976
EMSS Total		£5,601,964	£5,613,696	£11,732
Contribution from reserves		£0		£0
Additional Charge (-) / Reimbursement to Partners		£0	−£11,732	−£11,732
Partnership Contribution		£5,601,964	£5,601,964	£0

Table 1: Financial Outturn Position for the year 2023/24 as at 31st March 2024 (Period 12)

4.2 It should be noted that included in the outturn is the agreed pay award, based on £1,925 per FTE, which totalled £280 thousand and represented a £60 thousand overspend against the approved budget provision.

4.3 The outturn for each service is explained as follows:

- Finance Service Centre (FSC) - £11 thousand underspend due to managed vacancies (£36 thousand) and compensation for services lost following a cyber incident (£9 thousand); offset by reduced DCA charges (£20 thousand) and increased Bantec costs, net of contribution from reserves (£14 thousand).
- Employee Service Centre (ESC) – £72 thousand underspend arising from earlier than anticipated staff turnover following the staffing restructure (£50 thousand) and additional income for both DBS processing (£35 thousand) and payroll incl. emergency payments (£14 thousand). This is offset by increased costs associated with Oracle learning subscriptions (£6 thousand), CIPP re-accreditation (£3 thousand), Oracle consultant support (£2 thousand) and loss of income from schools and academies (£16 thousand).
- Management & Business Development – £47 thousand underspend, as a result of managed vacancies to support wider organisation and budget.
- ICT On-going - £141 thousand overspend relates to a Mastek quarterly invoice that the service was unable to accrue for in 22/23 due to the timing of the invoice (£109 thousand) and increased Oracle license costs – credit note pending (£39 thousand) partially offset by staffing underspend (£7 thousand).

4.4 In recognition of the overall overspend position each partner has made an additional contribution of £6 thousand.

5. Reserve Position

5.1 Table 2 provides a summary of the movements in reserve and balance remaining on 31st March 2024.

EMSS Total Reserves		
Opening Balance		£13,778
Deposits into reserves:		
	Seeded Absence Project	£104,600
Available reserves		£118,378
Use of reserves:		
	Banctec replacement system	-£13,778
Forecast Use of Reserves		-£13,778
Closing Balance		£104,600

Table 2: Balance on EMSS reserve as at 31st March 2024

5.2 The opening reserve balance at the start of 2023/24 was £14 thousand. This has been used to fund the balance of the cost associated with the Banctec replacement system (£14 thousand). A commitment was also made in-year to fund the seeded absence project. Work is ongoing and a contribution of £105 thousand has been made from the 2023/24 budget to the reserves, to cover the final invoices.

5.3 The closing balance on the reserve on 31st March 2024 is £105 thousand and will be used to pay for the remaining works on the seeded absence project during 2024/25.

6. Additional Funding Pressures Outside Existing Partnership Arrangements

6.1 Separate to the partnership budget and contributions are the HR/Payroll improvement project and the Fit for the Future legacy project budgets which were agreed at the Fit for the Future Programme Board in May 2022 as well as redundancy costs associated with the ESC restructure.

6.2 HCM Stabilisation Costs

6.2.1 Following the resolution of the dispute with the HR/Payroll system provider and the ongoing challenges of stabilising the system and service, additional funding of £602 thousand was separately approved. Table 3 provides a breakdown of the funding allocations, 2023/24 outturn position and projected budget requirement for 2024/25. These costs are to be shared equally between partners (split 50:50).

HCM Stabilisation Costs	2023/24			2024/25
	Budget	Outturn	Variance	Budget
HCM Remedial Work	£219,243	£104,600	-£114,643	£100,000
ESC Staffing	£129,046	£8,146	-£120,900	£15,244
HCM Contractor	£11,735	£0	-£11,735	£0
Payroll Monitoring System	£57,600	£85,710	£28,110	£35,280
Funding Requirement	£417,624	£198,456	-£219,168	£150,524
Contributions:				
50% LCC	-£208,812	-£99,228	£109,584	-£75,262
50% NCC	-£208,812	-£99,228	£109,584	-£75,262
Net	£0	£0	£0	£0

Table 3: HCM Stabilisation Costs

£198 thousand (47.5%) was required to fund the development of the Oracle payroll system and support the stabilisation of the Employee Service Centre in 2023/24. A further £151 thousand is expected to be required for 2024/25, with funding set aside to implement 'Redwood' to the HR/Payroll system and resolve the issues with some payroll elements. Every effort continues to be made to keep costs to a minimum.

6.3 Fit For the Future (FFtF) Legacy Costs

6.3.1 Additional funding was separately approved in March 2022 to address outstanding projects following the closure of the Fit for the Future programme and to fund the archiving of Ebusiness, of which a balance of £87 thousand remained for 2023/24.

6.3.2 Table 4 provides a breakdown of the funding allocations, 2023/24 outturn position compared to budget, and anticipated requirements from 2024/25 onwards. These costs are shared according to the needs of each partner authority.

FFtF Implementation	2023/24			2024/25	2025/26	2026/27
	Budget	Outturn	Variance	Budget	Budget	Budget
Ebus Archiving (50/50 funded)	£60,795	£39,060	-£21,735	£52,080	£30,000	£30,000
Ebus Archiving (100% NCC funded)	£26,000	£32,400	£6,400	£43,200	£0	£0
Funding Requirement	£86,795	£71,460	-£15,335	£95,280	£30,000	£30,000
Contributions:						
LCC	-£30,398	-£19,530	£10,868	-£15,000	-£15,000	-£15,000
NCC	-£56,398	-£51,930	£4,468	-£80,280	-£15,000	-£15,000
Net	£0	£0	£0	£0	£0	£0

Table 4: Fit for the Future Legacy Costs

6.3.3 Actual cost amounted to £87 thousand in 2023/24, representing an underspend of £15 thousand (17.7%) – an improved position on that previously reported to Joint Committee in January 2024 (expected overspend of £9 thousand). To allow NCC full access to the system a budget of £95

thousand has been agreed for 2024/25. This reduces to £30 thousand from 2025/26 onwards, as long as NCC no longer require full access.

6.4 ESC Redundancy Costs

6.4.1 Redundancy costs associated with the ESC restructure were agreed to be treated separately to the partnership contributions following the decision for the ESC to cease trading with maintained schools and academies with effect from 31st August 2023. Actual redundancy and capitalised cost of pension amounted to £447 thousand (£33 thousand or 7% less than the original cost estimate) and was funded 50:50 between the partner authorities.

7. 2024-28 MTFP Update

7.1 The Joint Committee approved the 2024-28 MTFP at its meeting on 18 March 2024. Subsequent to this approval NCC have reported an increase in contribution from Nottingham City Homes totalling £55 thousand. This has now been reflected in the base budget, resulting in a reduction in the overall cost of the partnership and NCC's partnership contribution.

7.2 The overall funding requirement for 2024/25 now stands at £5.64 million, which represents an increase of £41 thousand (or 0.7%) compared to the current level of partner contributions, with the service effectively absorbing 83% (or £198 thousand) of the projected £239 thousand pay award for 2024/25.

7.3 Table 5 presents a summary of the revised overall funding requirements for 2024-28 having made the above change.

	2024/25	2025/26	2026/27	2027/28
EMSS Operational	£3,345,906	£3,396,867	£3,446,172	£3,457,974
ICT Ongoing	£2,057,998	£2,053,883	£2,053,883	£2,053,883
Subtotal	£5,403,904	£5,450,750	£5,500,054	£5,511,857
Pay Award / Inflation	£239,121	£388,994	£544,584	£706,033
Proposed EMSS Budget	£5,643,025	£5,839,744	£6,044,638	£6,217,890
<i>Required Change in Partner Contributions f</i>	<i>£41,061</i>	<i>£237,779</i>	<i>£442,674</i>	<i>£615,926</i>
NCC Contribution	£3,133,251	£3,231,610	£3,316,147	£3,402,773
LCC Contribution	£2,509,774	£2,608,134	£2,728,491	£2,815,117

Table 5: Summary of Overall Funding Requirements 2024-28

7.4 The 2024/25 budget included a provision of 6% (£239 thousand) for the pay award. The employers opening and "full and final" offer is a flat rate of £1,290 for all employees below grade 13 (pro rata for part-time employees) and 2.5% for grades 14 and above. Including on-costs this is estimated to cost £176 thousand based on budgeted staffing establishment and is currently within the provision available. Early indications suggest this offer will be rejected, with negotiations

ongoing. Consequently, there remains a risk that the final award may be higher than the provision made in the budget for 2024/25.

8. Finance colleague comments (including implications and value for money/VAT)

8.1 The Financial implications for the partnership are:

- a) The requirement to provide EMSS with the total funding summarised in section 8 of the MTFP 2023-27.
- b) In accordance with the agreed funding methodology, the overall funding requirement for 2023/24 amounted to £5,613,698 and was split between the two partners as follows:
 - NCC: £3,048,527 (54.3%)
 - LCC: £2,565,169 (45.7%)

9. Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

9.1 None

10. Social value considerations

10.1 None

11. Equality Impact Assessment (EIA)

11.1 An EIA is not required because the report does not contain proposals for new or changing policies, services or functions outside the Councils.

12. Published documents referred to in this report

12.1 None

East Midlands Shared Services

Delivering quality, affordable and resilient support services to the public sector



**East Midlands Shared Services Joint Committee
24 June 2024**

Subject:	East Midlands Shared Services – Internal Audit Update	
Corporate Director(s) / Director(s):	Ross Brown – Corporate Director of Finance and Resources (Section 151 Officer), Nottingham City Council (NCC) Simone Hines – Assistant Director of Finance, Strategic Property and Commissioning, Leicestershire County Council (LCC)	
Portfolio Holder(s):	Councillor Linda Woodings	
Report author and contact details:	Shabana Kausar – Director of Finance (Deputy Section 151 Officer) John Slater - Group Assurance & Audit Governance Manager	
Other colleagues who have provided input:	None	
Key Decision	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Subject to call-in <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Total value of the decision: N/A		
Section 151 Officer expenditure approval		
Has any NCC spend been approved by the Section 151 Officer? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/a		
Spend Control Board approval reference number:		
Date of consultation with Portfolio Holder(s):		
Scheduled ahead of the meeting on 24 June 2024.		

Summary of issues (including benefits to citizens/service users):

The report provides the Joint Committee with an update on East Midlands Shared Service (EMSS) 2023/24 Internal Audits and seeks approval for the 2024/25 EMSS Audit Plan.

Exempt information:

None

Recommendation(s):

1. Notes the progress against the audit plan for 2023/24 (Section 3).
2. Approve the 2024/25 EMSS Audit Plan (Section 4 and Appendix 1).
3. Notes that 2024/25 will be the last year that NCC will provide an Internal Audit service to EMSS (paragraph 4.2).
4. Notes that NCC and LCC will be working with EMSS to explore options for delivering an Internal Audit provision from 2025/26, with the recommended option to be brought back to committee for consideration in quarter 4 (paragraph 4.2).

1. Reasons for recommendations

- 1.1 To provide assurance to the Joint Committee that EMSS has appropriate audit arrangements in place.

2. Background

- 2.1 EMSS managers are responsible for ensuring that proper standards of internal control operate within their organisation. NCC's Internal Audit service reviews these controls and gives an opinion in respect of the systems and processes put in place.
- 2.2 The Audit Plan is agreed annually and reported to LCC and NCC governance committees.
- 2.3 Reports in respect of all reviews are issued to the responsible colleagues within EMSS. These reports include agreed recommendations and the level of assurance that is drawn from the findings.

3. 2023/24 Internal Audit Progress

- 3.1 Since the last report to the Joint Committee in March 2024 the table below summarises the progress against the 2023/24 audit plan and associated levels of assurance.

Audit Plan Activity	2022/23 Outcome	2023/24 Outcome
Payroll 2023/24	Limited Assurance	Audit fieldwork complete draft report to be issued
Accounts Receivable 2023/24	Moderate Assurance	Audit fieldwork complete draft report to be issued
Accounts Payable 2023/24	Significant Assurance	Significant Assurance
System Admin and access controls 2023/24	Limited Assurance	Moderate Assurance

3.2 The draft internal audit reports for 2023/24 Payroll and Accounts Receivable will be issued to EMSS management by end of June 2024 for review, with a view to finalise internal audit opinion in quarter 2.

3.3 Set out below is the summary position of the 2023/24 audit activity:

1) Payroll 2023/24 (audit field work complete and draft report to be issued)

The following issues identified in 2022/23 will form part of the evaluation in the 2023/24 audit:

- The outstanding work required to transform the service in order that it is fit for purpose, including dealing with outstanding issues previously raised by Internal Audit, i.e., completion monthly reconciliations of control accounts, approach to the recovery of salary overpayments and treatment of exception reporting.
- Partners are accountable for their own processes and Internal Audit have previously highlighted weaknesses that require partners to take action in order to obtain the full benefit of the joint arrangements.

2) Accounts Receivable 2023/24 (audit field work complete and draft report to be issued)

The following issues identified in 2022/23 will form part of the evaluation in the 2023/24 audit:

- Issues around the collection strategy/compliance
- Concerns around write-out of debt
- Internal Audit have been aware that current statistics show an improvement in debt collected since debt collection was brought in-house.
- Partners are accountable for their own processes and Internal Audit have previously highlighted weaknesses that require partners to take action in order to obtain the full benefit of the joint arrangements.

3) Accounts Payable 2023/24 (Significant Assurance)

No significant concerns have been highlighted with Accounts Payable operations undertaken and controlled by EMSS.

4) System Admin and Access Controls 2023/24 (Moderate Assurance)

There is a need to perform an Oracle Health Check on a regular basis to ensure system vulnerabilities have not been created through patching and configuration changes. Progress has been made in responding to Oracle Health Check issues during 2024. However, whilst an intention has been communicated, Internal Audit have not been advised of a confirmed regular arrangement for future Health Checks.

Improvements to business continuity arrangements have been made but much of this improvement resides within the skills training and knowledge of the current Head of EMSS who is due to take a role elsewhere in LCC. Sustainability of these improvements are dependent on the Head of EMSS and other EMSS managers acquiring the necessary training and familiarising themselves with business continuity arrangements through testing at an early stage in their tenure (during 2024). EMSS should also look to influence partners to improve their related business continuity function, to the same standard.

- 3.4 Due to resource limitations Accounts Receivable and System Admin and Access Control, the approach adopted in 2023/24 has been focused on follow-up recommendations from 2022/23.
- 3.5 Internal capacity has been a key factor in the slippage of EMSS audit activity in 2023/24. Whereas the internal audit function did not have capacity to deliver this, the Council commits to making available the necessary resource for completing the 2023/24 audit.
- 3.6 NCC have made arrangements to cover the Head of Internal Audit role from July 2024.

4. 2024/25 Internal Audit Plan

- 4.1 The plan for 2024/25 has been prepared on the same basis as 2023/24 plan and is attached as Appendix 1 and is subject to amendments following review by the Head of Internal Audit in consultation with LCC and EMSS.
- 4.2 NCC's Internal Audit service's primary obligation is to ensure it can effectively deliver an internal audit function for the Council to provide the necessary assurance to its members and officers. Following discussions with LCC, NCC has agreed that 2024/25 will be the last year that it provides the service. NCC and LCC will work in partnership with EMSS over the coming year to explore delivery options for an audit provision for EMSS from 1 April 2025.
- 4.3 It should be noted that currently there is a shortage of experienced and skilled audit professionals in the market and the Council is not alone in experiencing recruitment issues including through the interim market. Whereas the internal audit function does not have capacity to deliver this, the Council commits to

making available the necessary resources for the provision of internal audit services to EMSS as set out in Appendix 1. For 2024/25 the Council will continue to manage the EMSS audit plan alongside the NCC audit plan through internal provision including use of agencies and will keep EMSS and LCC abreast of any deviations or changes to audit plan timelines.

5. Finance colleague comments (including implications and value for money/VAT)

5.1 Through the current arrangement NCC absorb the costs of providing internal audit provision to EMSS. For 2024/25, if appropriate, NCC will engage with LCC to negotiate sharing of any additional costs relating to resourcing of the 2024/25 internal audit plan.

5.2 At this time the financial impact of a new audit provision from 2025/26 is unknown but will need to be considered by the partnership as part of the proposed decision.

6. Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

6.1 None.

7. Social value considerations

7.1 Not applicable.

8. Equality Impact Assessment (EIA)

8.1 Has the equality impact of the proposals in this report been assessed?

No

8.2 EIAs are tools that help the Council make sure its policies, and the ways it carries out its functions, do what they are intended to do and for everybody. Although an EIA is not required at this time, one will be considered prior to any decisions being taken on new Internal Audit provision from 2025/26.

9. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

9.1 None.

10. Published documents referred to in this report

- East Midlands Shared Services Internal Audit Plan 2024/25 (18 March 2024)
- East Midlands Shared Services Internal Audit Plan 2023/24 (20 March 2023)

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EMSS Internal Audit Plan 2024/25



Audit	Scope	Days	2024/25				2025/26
			QR1	QR2	QR3	QR4	QR1
Payroll	<ul style="list-style-type: none"> • System Audit / Employee Service Centre • Starters • Leavers • Permanent amendments • Amendments to standing data • Exception reporting • BACS process/authorisation • Reconciliation of key accounts • Follow up of previous recommendations 	40			15	15	10
Accounts Receivable	<ul style="list-style-type: none"> • System Audit / Finance Service Centre • Process for raising invoices • Compliance with debt collection strategies/chasing of outstanding debt, monitoring, reporting • Writing out debt • Query management • Treatment of credit balances • Suspense accounts • Follow up of previous recommendations 	40			15	15	10
Accounts Payable	<ul style="list-style-type: none"> • System Audit / Finance Service Centre • New suppliers • Accuracy and input of invoices into Oracle • Accuracy and input of RFPs into Oracle • Payments are made timely • BACS process/authorisation • Cheque processing 	40			15	15	10

EMSS Internal Audit Plan 2024/25

Audit	Scope	Days	2024/25				2025/26
			QR1	QR2	QR3	QR4	QR1
	<ul style="list-style-type: none"> Exception reporting (Duplicate Payments and Credit Balances) Follow up of previous recommendations 						
IT – System Admin and access controls	<p>Include the following areas:</p> <ul style="list-style-type: none"> User creation and management (Dependent where responsibility resides (LCC/NCC/EMSS)) Privileged account access & Monitoring (Dev, Test & Live environments) (LCC/EMSS/NCC) System config settings as applied to user accounts (LCC/EMSS/NCC) Roles and responsibilities – Separation of duties (NCC only) Audit trails Generic account creation and monitoring Monitoring security issues & exception reports (LCC/EMSS/NCC) Assurance reporting (Partnership Board) Starters & leavers (NCC only) 	30				25	5
Contingency for additional reviews	Head of EMSS / s151 requests	20	5	5	5	5	
Total		170	5	5	50	75	35

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