

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, 18 March 2024

Time: 10.30 am

Place: Ground Floor Committee Room - Loxley House, Station Street, 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:

Malcolm Townroe
Director for Legal and Governance
Nottingham City Council

Declan Keegan
Director of Corporate Resources
Leicestershire County Council

Agenda	Pages
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5 East Midlands Shared Services Strategic and Performance Report, Quarter 3 2023-2024 Joint report of the Assistant Director of Finance, Strategic Property and Commissioning, Leicestershire County Council and the Director of Finance, Nottingham City Council	15 - 34

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| 6 | East Midlands Shared Services Financial Update 2022/23 and Final Budget 2024/25-2026/27
Joint report of the Corporate Director of Finance and Resources, Nottingham City Council, and the Assistant Director for Finance, Strategic Property & Commissioning, Leicestershire County Council | 35 - 54 |
| 7 | East Midlands Shared Services Internal Audit Plan 2024/25
Joint report of the Assistant Director of Finance, Strategic Property and Commissioning, Leicestershire County Council and the Director of Finance, Nottingham City Council | 55 - 58 |
| 8 | Exclusion of the Public
To consider excluding the public from the meeting during consideration of the remaining items 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 | |
| 9 | Exempt Minutes
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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 attending the meeting should arrive at least 15 minutes before it starts, to be issued with visitor badges. Citizens are advised that this meeting may be recorded 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.

East Midlands Shared Services Joint Committee

Minutes of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 11 December 2023 from 10.30 am - 11.15 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:

- | | |
|-----------------|--|
| Susan Baum | - Finance Business Partner (LCC) |
| Simone Hines | - Assistant Director Finance, Strategic Property and Commissioning (LCC) |
| James Lavender | - Governance Officer (NCC) |
| Lucy Littlefair | - Head of East Midlands Shared Services |
| Lee Mann | - Strategic Director of HR and EDI (NCC) |
| Jill Turner | - Business Development Manager, East Midlands Shared Services |

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 **20 December 2023**. Decisions cannot be implemented until the next working day following this date.

19 Apologies for Absence

None.

20 Declarations of Interests

None.

21 Minutes

The minutes of the meeting held on 18 September 2023 were confirmed as a true record and signed by the Chair.

22 East Midlands Shared Services Business Continuity Plan

Jill Turner, Business Development Manager for East Midlands Shared Services (EMSS) delivered the report into the EMSS Business Continuity Plan (BCP). The following points were highlighted:

- (a) the BCP was designed to ensure that EMSS can still operate, and payroll and payments to suppliers can be made, in the event of a major incident, such as the loss of the Oracle full system, emails, or servers;
- (b) work has begun on devising a new digital format for the BCP which will be easier to use. This new format is based on Microsoft Lists and is currently being tested to ensure that it will be available even if Leicestershire County Council (LCC) suffers a major IT outage;
- (c) the LCC Resilience Planning Group, which includes the Head of EMSS, has approved new mandatory training and exercise programme for on-call senior managers to be trained on the statutory requirements of the Civil Contingencies Act 2004;

During the discussion and in response from questions from the Committee, the following points were raised:

- (d) the timescales for the move to a digital format for the BCP was revised three months ago;
- (e) the last test of the BCP was in November 2019. A test was due in 2020, but this was delayed due to COVID-19 pandemic;
- (f) the tests were carried out on all IT equipment, including the work devices of senior managers;
- (g) cyber-crime and cyber-attack defences are being built into the plan with support from LCC and Nottingham City Council's (NCC) IT departments.

Resolved to approve the plan.

This decision is not subject to call-in.

Reasons for recommendations

- To reassure Joint Committee that EMSS has robust business continuity arrangements.

Other options considered

- None.

23 East Midlands Shared Services Data Processing Agreement

Jill Turner, Business Development Manager for EMSS delivered the report which provided advice and amendments to the data processing agreement between LCC and NCC. The following points were highlighted:

- (a) the data processing agreement was presented to the Committee on 24 September 2018 in response to the General Data Protection Regulations (GDPR) which came into force in May that year;

- (b) this agreement has been reviewed to ensure it reflects the law as it stands as well as best practice. Both partners' Information Governance Teams have been approached for comments and changes;
- (c) the two main changes are to ensure that the agreement will incorporate any future changes to UK GDPR legislation and to reflect the transfer of Nottingham City Homes staff to Nottingham City Council.

Resolved to:

- (1) approve the amendments;**
- (2) authorise the EMSS Sponsors to sign the amended document.**

This decision is not subject to call-in.

Reasons for recommendations

- To ensure that EMSS and the partners have robust information governance arrangements in place.

Other options considered

- None.

24 Exclusion of the Public

Resolved to exclude the public from the meeting during consideration of the remaining items 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.

25 Exempt Minutes

The exempt minutes of the meeting held on 18 September 2023 were confirmed as a true record and signed by the Chair.

26 East Midlands Shared Services Strategic and Performance Report - Quarter 2: 2023 / 24.

Lucy Littlefair, Head of EMSS, delivered the report which outlined the operational performance for EMSS during the Quarter 2 period.

Resolved to approve the recommendations as set out in the report.

This decision is not subject to call-in.

Reasons for recommendations

- As set out in the exempt report

Other options considered

- As set out in the exempt report.

27 East Midlands Shared Services Financial Update 2023/2024 and Draft Medium-Term Financial Plan 2024/2025 to 2027/2028

Lucy Littlefair, Head of EMSS, Susan Baum, Finance Business Partner (LCC) and Simone Hines, Assistant Director Finance, Strategic Property and Commissioning (LCC), delivered the report to update the Committee on the 2023/24 financial performance and the draft proposed budget for EMSS for 2024/25 to 2027/28.

Resolved to approve the recommendations as set out in the report.

This decision is not subject to call-in.

Reasons for recommendations

- As set out in the exempt report.

Other options considered

- As set out in the exempt report.

**East Midlands Shared Services Joint Committee
18 March 2024**

Subject:	East Midlands Shared Services Governance and Joint Committee Terms of Reference		
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)		
Report author and contact details:	Lucy Littlefair – Head of East Midlands Shared Services 0116 305 6333 lucy.littlefair@emss.org.uk		
Key Decision	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	Subject to call-in Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Summary of issues (including benefits to citizens/service users):			
This report seeks approval for the Terms of Reference and Rules for the EMSS Joint Committee			
Recommendation(s): The EMSS Joint Committee is requested to:			
1 Discuss the proposed changes to the Terms of Reference for Joint Committee (Appendix A), and agree a preferred option on meeting frequency			
2 Review and approve the Rules for the Conduct of Meetings and Proceedings of the Joint Committee. (Appendix B)			
3 Agree to take the preferred changes to each Authority’s Leader for approval			

1. REASONS FOR RECOMMENDATIONS

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

2. OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 2.1 None.

3. BACKGROUND

- 3.1 The original partnership agreement was signed in 2011 and requires periodic review to ensure that its functions and processes remain relevant to the partnership and reflect sound governance arrangements.
- 3.2 Joint Committee is tasked with reviewing their Terms of Reference and Rules for the Conduct of Meetings and Proceedings annually.

- 3.3 The Committee last reviewed the terms of reference for the Joint Committee and Operational Board in March 2023. Where there were minor changes to remove gendered language.
- 3.4 Any suggested amendments to the Joint Committee terms, would need to comply with Executive meeting regulations and approval from each Authority's Leader would be required, prior to adoption.

4 Proposed changes

- 4.1 Paragraph (v) of the Terms of Reference currently states that:

“Set annual capital, revenue and staffing budgets for EMSS and no later than 1st December in each year submit these to the Member Authorities for approval as part of the business plan.”

- 4.2 For some years this deadline has not been reached due to the LCC budget setting timeline and the November meeting has invariably been moved to December. To accommodate this it is proposed to amend the wording 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.”

- 4.3 Currently Joint Committee meets quarterly in March, June, September and November (but as stated above this meeting is usually held in December). The provisions in the Terms of Reference directing this are:

- (vi) *Monitor the operational performance of EMSS on [a quarterly basis];*
- (ix) *Monitor the financial performance of EMSS — quarterly report and monthly updates;*
- (xi) *Produce an annual report to the member Authorities by no later than 30th June in each year covering the performance of EMSS in the 12 month period ending on the preceding 31st March;*

- 4.4 The Rules for the Conduct of Meetings and Proceedings of the Joint Committee (Appendix B) paragraph 1.3 states *“The Joint Committee may in every year hold in addition to the Annual Meeting such other meetings as they may determine.”*

- 4.5 The Head of EMSS wishes to propose that an amendment is made to the frequency of the Joint Committee meetings on the following basis:

- The Head of EMSS jointly meets with the Sponsors' for EMSS monthly, discussing in a structured and formal format (presentation) all aspects of the service's operational and strategic performance. This governance is in addition to the terms set out in the Partnership Agreement.
- The Head of EMSS also meets with the LCC Sponsor monthly, as they are responsible for day to day line management.
- Monthly account meetings are held with Strategic Finance and HR colleagues, which discuss performance at a detailed level.

- The cycle of quarterly meetings puts strain on the Head of EMSS to draft detailed reports and seek the necessary sign off in each Council.
- The frequency of the Joint Committee means that elected members and 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. The committee should be used for providing strategic direction and challenge to the shared service.
- The Shared Service function is well established with consistent performance many Joint Committee meetings end well before their allotted time.
- There is an opportunity to reduce the travel costs and time for attendees.

4.6 It is therefore proposed to reduce the number of meetings. The options are either:

- a) Three meetings a year in June, September and December. This will have the least impact, however the meetings are then bunched towards the end of the year. Or
- b) Two meetings a year in June and December. This would create a balanced pattern of meetings with the Annual Report and outturn budget update in June and performance year to date and budget setting in December.

4.7 The Leaders of both Councils would need to approve any recommendation to change the meeting frequency. The Terms of Reference would be updated to reflect any agreed change.

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

5.1 None.

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

6.1 This report ensures that the Joint Committee fulfils its requirement to review its terms of reference. Advice has been sought from the EMSS governance officer on the process for agreeing any amendments.

6.2 There are no procurement implications considered to arise directly from this report.

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

7. Social value considerations

7.1 None

8. Equality Impact Assessment (EIA)

8.1 None

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

- a. Nottingham City Council's Constitution (Committee Terms of Reference).
- b. Leicestershire County Council's Constitution.
- c. The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

SCHEDULE 1 — JOINT COMMITTEE GOVERNANCE
JOINT COMMITTEE - TERMS OF REFERENCE

Subject to the terms of the East Midlands Shared Services Partnership Agreement to:

- (i) Oversee and provide strategic direction for the development, implementation and on-going operation of EMSS;
- (ii) Ensure the effective delivery of the shared service functions in accordance with the terms of the agreement;
- (iii) Monitor the effectiveness of those arrangements and make recommendations to the Member Authorities e.g. in the event of any changes to legislation, developments in best practice or the requirements imposed on Member Authorities;
- (iv) On an annual basis, agree a three year business plan for EMSS including:
 - Service delivery, service development & financial objectives
 - Performance improvement & efficiency targets
 - Staffing
 - Business continuity planning
 - Risk management
- (v) Set annual capital, revenue and staffing budgets for EMSS and no later than 1st December in each year submit these to the Member Authorities for approval as part of the business plan;
- (vi) Monitor the operational performance of EMSS on [a quarterly basis];
- (vii) Ensure service delivery is in accordance with the key performance indicators and agreed national, regional and local priorities;
- (viii) Ensure effective action is taken to remedy any under-performance in the delivery of services;
- (ix) Monitor the financial performance of EMSS — quarterly report and monthly updates;
- (x) Determine the arrangements for support services in agreement with the Host Authority and in consultation with the Head of Shared Service;
- (xi) Produce an annual report to the member Authorities by no later than 30th June in each year covering the performance of EMSS in the 12 month period ending on the preceding 31st March;
- (xii) Co-operate with and participate in Overview and Scrutiny exercises of the Member Authorities into the activities of EMSS;
- (xiii) Review the operation and effectiveness of the shared service arrangements at least every two years, consider ways in which the Shared Services partnership can be expanded and make recommendations to the Member Authorities as appropriate.

APPENDIX B

RULES FOR THE CONDUCT OF MEETINGS AND PROCEEDINGS OF THE JOINT COMMITTEE

The Joint Committee shall follow the normal arrangements which apply to the proceedings of local government committees, with the following additional provisions applying:

1. Annual Meeting

- 1.1 The Joint Committee shall in every year hold an Annual Meeting;
- 1.2 The first meeting held after the Annual Meeting of all the Member Authorities in any year shall be the Annual Meeting;
- 1.3 The Joint Committee may in every year hold in addition to the Annual Meeting such other meetings as they may determine

2. Membership

- 2.1 The membership of the Joint Committee to comprise four elected members, two being drawn from each Council's Executive;
- 2.2 Each Authority will have the right to appoint a substitute elected member drawn from their Executive to attend any meeting of the Joint Committee in place of an appointed elected member provided that the Secretary shall be given at least 24 hours' notice of any such appointment;

3. Appointment of Chairman, Vice Chairman, Secretary and Treasurer

- 3.1 The Joint Committee shall appoint one of its Members to be Chair of the Joint Committee who shall subject to paragraph 3.2 and unless they resign their office or ceases to be a member of the Joint Committee, continue in office for a period of 24 months or until their successor becomes entitled to act;
- 3.2 The first Chair of the Joint Committee shall be a person nominated by Nottingham City and shall hold office for the period up to 31st May 2013.
- 3.3 The Chair of the Joint Committee following the initial appointment by Nottingham City shall rotate between Leicestershire and Nottingham City on a two year cycle;
- 3.4 The Joint Committee shall appoint one of its Members to be Vice Chair of the Joint Committee who shall subject to paragraph 3.5 and unless they resign their office or ceases to be a member of the Joint Committee, continue in office for a period of 24 months or until their successor becomes entitled to act;
- 3.5 The first Vice Chair of the Joint Committee shall be a person nominated by Leicestershire and shall hold office for the period up to 31st May 2013.

- 3.6 The Vice Chair of the Joint Committee following the initial appointment by Leicestershire shall rotate between Nottingham City and Leicestershire on a two year cycle;
- 3.7 The role of Secretary and Treasurer to the Joint Committee will be provided by Nottingham City Council.

4. Casual Vacancies

- 4.1 On a casual vacancy occurring in the office of Chair or Vice Chair of the Joint Committee the vacancy shall be filled by the appointment by the Joint Committee of one of their members at the next meeting and the person so appointed shall hold office until the date upon which the person in whose place they are appointed would regularly have retired.

5. Calling of Meetings

- 5.1 The Secretary of the Joint Committee shall summon the members to such meetings as may:
- 5.1.1 have been agreed in accordance with paragraph 1.3;
 - 5.1.2 be called by the Chair of the Joint Committee or, if the office of Chair is vacant, the Vice Chair of the Joint Committee at any time;
 - 5.1.3 be requisitioned by any two members of the Joint Committee giving notice in writing signed by them to the Secretary of the Joint Committee specifying the nature of the business to be transacted; or
 - 5.1.4 be requisitioned by any Member Authority giving notice in writing to the Secretary of the Joint Committee specifying the nature of the business to be transacted and signed by the Chief Executive or proper officer of the Member Authority;
- 5.2 Unless the persons giving notice requisitioning a meeting in accordance with paragraph 5.1.3 or paragraph 5.1.4 agree otherwise any meeting consequent upon such a requisition shall so far as practicable be held within 10 working days of the date of the receipt of the requisition by the Secretary to the Joint Committee;
- 5.3 At least five clear working days before a meeting of the Joint Committee:
- 5.3.1 notice of the time and place of the intended meeting shall be published at the offices of both Leicestershire and Nottingham City: and
 - 5.3.2 a summons to attend the meeting, specifying the agenda for that meeting and signed by the Secretary to the Joint Committee shall be sent to:
 - 5.3.2.1 every member of the Joint Committee; and
 - 5.3.2.2 the proper officer of every Member Authority by sending by first class mail to the principal office address of the Member Authority or by

sending an electronic copy by e-mail to any email address notified to the Secretary of the Joint Committee for that purpose:

- 5.4 The Secretary will draw up the agenda in consultation 'with both the Chair and Vice Chair.
- 5.5 No business shall be transacted at a meeting requisitioned by the members of the Joint Committee or a Member-Authority other than that specified in the agenda.

6. Nominated Officers to Attend

- 6.1 The Head of Paid Service the Monitoring Officer and the s151 Officer of each Member Authority or their respective nominees shall be entitled to attend every meeting of the Joint Committee in the capacity of observer and with the agreement of the Chair may address the Joint Committee.

7. Quorum

- 7.1 The number of Members constituting a quorum shall be one quarter of the membership of the Joint Committee, provided that in no case shall a quorum be less than three members and further provided that no item of business shall be transacted at a meeting of the Joint Committee unless at least one member from each Founding Member Authority** is present and entitled to vote thereon

8. Standing Orders

Subject to anything expressly provided herein the Standing Orders (Meeting Procedure Rules) of the Authority providing the Secretariat will apply to the Joint Committee

9. Voting

Given the composition of the Joint Committee, decisions shall normally be taken on the basis of consensus

10. Sub-Committees

The provisions of [this Schedule] shall apply mutatis mutandis to meetings of subcommittees as they do to meetings of the Joint Committee

** Nottingham City Council and Leicestershire County Council

**East Midlands Shared Services Joint Committee
18 March 2024**

Subject:	East Midlands Shared Services Strategic and Performance Report – Quarter 3, 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)	
Report author and contact details:	Lucy Littlefair – Head of East Midlands Shared Services 01163056333 lucy.littlefair@emss.org.uk	
Key Decision	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Subject to call-in <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The report does not contain any decisions eligible for call-in
Summary of issues (including benefits to citizens/service users): This report provides the Joint Committee with an update on the people, customer, operational and technology priorities and performance for EMSS.		
Recommendation(s): The EMSS Joint Committee is requested 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		

1 Reasons for recommendations

- 1.1 To ensure that EMSS continues to develop its performance, ensure that the Joint Committee can form a clear and accurate view of performance and to improve transparency and accountability.
- 1.2 To report on the performance of EMSS for Quarter 3 (Q3).
- 1.3 To provide the Joint Committee with an update on the progress of the projects within the EMSS Business Plan.

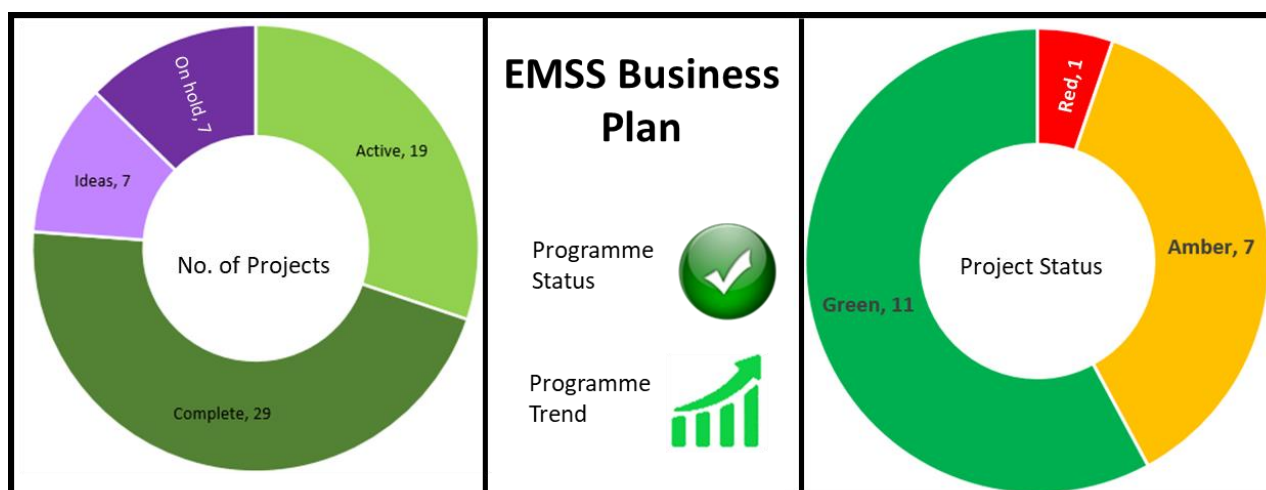
2 Other options considered in making recommendations

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

3 Strategic Plan and Business Plan 2023–2025

- 3.1 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.

- 3.2 In summary, EMSS have made good progress and/or 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, e.g., access for all employees to online payslips. This is not a criticism of partner colleagues, but a reflection of the complexity of shared services, the fact that end to end processes cut across multiple services and differing priorities.
- 3.3 Ultimately, the services provided by EMSS are an extension/part of the internal HR and Finance services for each council. EMSS cannot operate in isolation and must ensure that it is aligned with the vision for the respective support services. To that end, the Head of EMSS is on the LCC Sustainable Support Service Programme Board, is working closely with 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.
- 3.4 The work this year to reset the vision and strategic priorities for EMSS from 2025 onwards is important, as it will ensure that the shared service is focussed on delivering in line with the priorities of each council.
- 3.5 A key part of the current Strategic Plan is the EMSS Business Plan 2024, which covers both the organisational and service specific projects for this year.
- 3.6 The table below shows the status of all 'active' projects. It has been organised under the headings - organisation, technology, Finance Service Centre (FSC) and Employee Service Centre (ESC) to link activities to EMSS' core themes.



- 3.7 Since the last Joint Committee, the move from Gen 1 to Gen 2 infrastructure for non-SAAS Oracle elements has been completed and the Wagestream project with LCC has been cancelled due to technical difficulties in segregating NCC data.
- 3.8 Whilst most of the projects within the FSC are focussed on enhancing the service and introducing new areas of work, e.g., debt collection; the projects within the















Employee Service Centre are required to stabilise the service post implementation of the new HR/Payroll system.





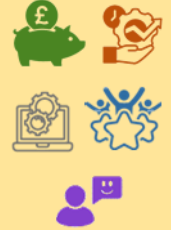









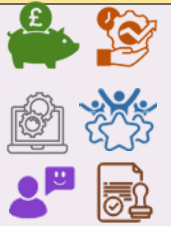

- 3.9 ESC colleagues meet monthly with HR colleagues to discuss progress against the Improvement Plan and in some cases re-prioritise activity based on the needs of the partners. Progress has been significant since April 23 and therefore, as the original plan covered 2 years, it is appropriate to update it to include additional activities from April 24. A revised plan is under development, ready for consultation with HR colleagues in March.
- 3.10 The technology projects are a mix of maintenance related, e.g., changes to the infrastructure and new modules.
- 3.11 New projects include a new Oracle front end (Redwood), new communication and engagement plans, as well as an office move for FSC staff.






Benefits Key

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

Project / Priority	Benefits	Description	Status	March 24 Update
Technology - Gen 1 to Gen 2 infrastructure		This will move the non-SAAS elements of the Oracle system onto new hardware which should result in improved performance	Complete	The move to Gen 2 is complete. There are some minor issues to finish in decommissioning the tech on Gen 1
ESC – LCC Wagestream implementation		A system to allow staff to access an advance on their pay in LCC	Cancelled	Technical barriers especially in regard to information governance proved too difficult to overcome in a cost-effective way
Organisational - Performance Reporting		Improve reporting capability and measures. Automate and improve use.		Work continues to find ways to automate performance reporting.
Organisational - New Customer Strategy		To implement the strategy to improve the standards of customer service and release agent time to resolve urgent queries		The work is now focused on the Customer Boards to ensure that they continue to drive improvement
Organisational - New internal and external communication plans		To improve communications and engagement new plans have been agreed		The plans have been devised and agreed and early work on the internal plan has begun. EMSS will liaise with partners on the external plan

Project / Priority	Benefits	Description	Status	March 24 Update
Technology - Oracle EBS archive		To transfer the data in EBS to an archive state		Following an in-depth review it was not possible to implement an alternative to the Navisite solution so the current arrangement will be extended until Mar. 25
Technology - Oracle Analytics implementation		New functionality negotiated during the contract renewal. Finance available 2023 and HR 2024		Partners have tested the finance system and it is ready to be moved to production. Work will begin on the HCM system in March
Technology – Oracle Guided Learning		A new system that will greatly improve the user experience of using Oracle		Implementation has been delayed until April to allow partners more time. Work has been focused on ensuring that robust support will be available after go-live. However sponsors need to agree how best to get value from the budget allocated for the licences.
Technology - Oracle Cloud Infrastructure Health check		A health check highlighted a number of significant inadequacies with the set-up.		Following the completion of the Gen 2 move the final actions are being finalised and a new health-check will be commissioned from Oracle
Technology – Oracle Redwood Interface Implementation		Oracle have developed a new interface /front end for their system which is being rolled out module by module		Early work on scoping the level of change and disruption is underway for the HCM modules which must be live by the end of the year.
FSC – Best Value Review		A full review of FSC services, performance and efficiency. To enable partners to assess the value for money delivered and opportunities for improvements		The review has been shared with the Sponsors / partner colleagues for internal scrutiny and comment.
FSC – Duplicate payment identification system replacement		The current system requires upgrading		Currently investigating whether to purchase a system or development in-house.

Project / Priority	Benefits	Description	Status	March 24 Update
FSC – Oracle Post Implementation Value Investigation (PIVI)		A service from Oracle to review the system and processes post go-live to ensure best use is being made. Will also report on functionality not being fully exploited		Most of the work has been completed and Oracle are now focussing on processes which are causing issues.
FSC – Office move		Following a request from NCC the team will move from the first to the ground floor		Some delays have occurred as a result of NCC needing to engage with LCC IT
FSC - Dialler system and SMS software		A new system to automate the contacting of customers about their debts either by text or by phoning		Investigations have begun around the current telephony systems and their capabilities before looking to a new system
FSC - In house Debt Collection Phase 3		To in-source the service and increase its scope and processes		The final round of recruitment is underway. Project due to complete Mar 24.
FSC - Supplier Portal roll out		A self-service module for suppliers to manage invoices and payments		Work continues to move suppliers onto the portal. Have agreed a final round of invitations before use becomes mandatory
FSC - AR Customer Portal Bill Management		Self-serve portal to get copy invoices and view account		Work has restarted on this project and defects appear to have been rectified.
Paperless Direct Debits		Project to move customers to paperless direct debits to reduce printing, postage and resource		Developing a business case to move customers to online direct debits
ESC - HCM and Payroll Transformation		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	Benefits	Description	Status	March 24 Update
ESC – Implementation of ‘seeded’ absence, LGPS fixes and seeded Teachers’ Pension Scheme		Required to move from custom to seeded absence scheme within payroll system by August 24.		Implementation of seeded absence has started.
ESC – Implementation of ePM system	 	One year contract to trial utilising an analytics tool to support the payroll service.		Roll-out has commenced and should be completed in early 2024

4 Technology

Oracle Cloud

- 4.1 The committee will see from the detail below that there is significant activity required in relation to the Oracle system over the next 12 months. With projects that will not only impact and involve EMSS, but also colleagues across the partnership.
- 4.2 The projects underway with Oracle are the implementation of Oracle Guided Learning and the Fusion Analytics Warehouse – two new 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.
- 4.3 The Oracle Guided Learning (OGL) implementation has continued, with training and support for those across the partnership who will create and publish content. However, due colleague’s work commitments, the roll out has been much slower than anticipated. To date only LCC HR have produced any volume of content which brings into question whether the partners will see the benefits of their investment.
- 4.4 EMSS are working with Sponsors to review their business cases to decide whether to renew the licences in May. The product is undeniably very powerful and has the capacity to deliver significant benefits, especially in light of the impact of Redwood on training and guidance (this is explained in paragraph 4.11)
- 4.5 Work to implement Finance Fusion Analytics warehouse (FAW) has continued. A test system pointed at the Dev 2 environment has been tested by partners and they have requested the system is now moved into Production.

- 4.6 Work on the HCM Analytics system will commence in March once the licences are available. Again, there is no identified budget for implementation so EMSS will undertake some initial work to see if it will be possible to develop, using in-house resources.
- 4.7 Work has commenced in the ESC on 'backing out' the customised absence scheme that the partnership had to put in place during the implementation of Oracle in 2020-22. Oracle have since updated their system and a project is underway to 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. The project is due to complete in June and it will require a week when managers will be asked to refrain from submitting absence information, whilst the cutover is completed.
- 4.8 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.
- 4.9 Work has also been completed on the move from Gen 1 to Gen 2 infrastructure. This was a complex piece of work to transfer all the PAAS elements onto the new servers. This has a number of benefits they are:
- Resolving the outstanding issues from the Oracle Cloud Infrastructure (OCI) health check
 - Improving the performance of PAAS elements, especially interfaces
 - Reduce the cost of universal credits
 - Ensure that interfaces use more up to date processes and code
 - Enables the move to Gen 3. This is undertaken by Oracle and should lead to further improvements
- 4.10 There is a small amount of work to complete in decommissioning elements on the old Gen1 platform.
- 4.11 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.

Oracle e-business archive

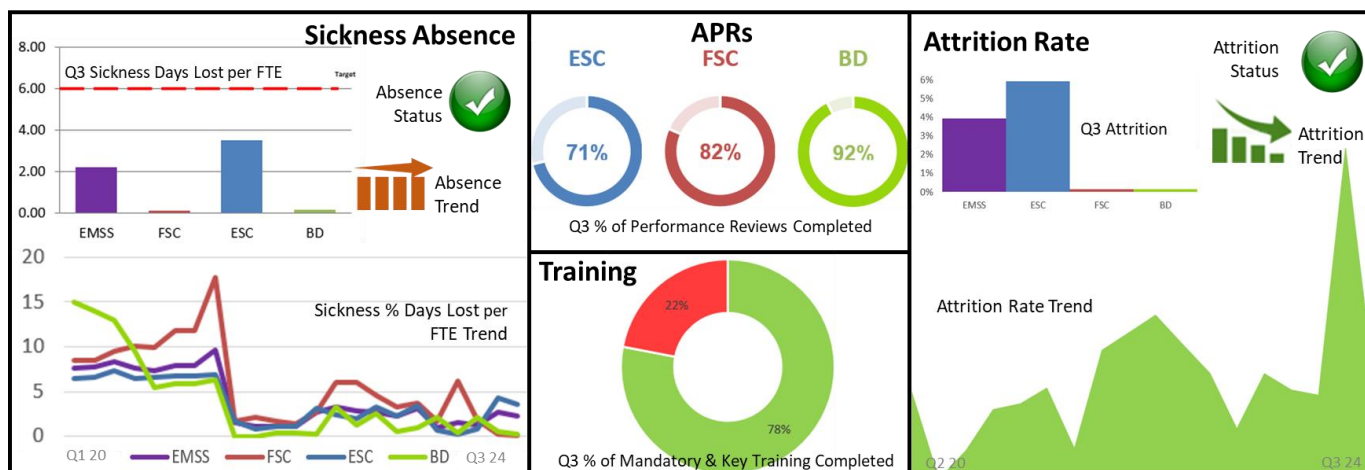
- 4.12 Following the go-live of Oracle Cloud the old Oracle system, e-business (EBS) was changed to an archive state. It remained on the old infrastructure (NaviSite), and with EBS functionality as well as the reporting system – OBIEE. However, as the total costs of this were £95K work began immediately on looking for a cheaper alternative.

4.13 Two options were explored, a data archive and a lift and shift of the current system onto Oracle infrastructure.

4.14 Nottingham have confirmed that they require access to EBS in its current state until March 2025, so the first option was not viable. In reviewing the second option it became apparent that it would not be possible to set up the new system within the Oracle Cloud and have it properly tested within the time available. There are also some longer-term questions about the level of expertise required within EMSS or the partners to manage this solution going forward.

4.15 The existing arrangement with NaviSite will be extended for a further year. The cost of the system (EBS) is £52,080. The costs of the OBIEE reporting function is £43,200 (this is only used by NCC). In light of the delays in moving away from Navisite and the asymmetric use of the systems the partners have agreed on a scheme to allocate the costs.

5 People



5.1 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 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.

5.2 Annual Performance Review (APR) rates continue to show improvement across all teams.

5.3 Overall the number of staff up to date with their mandatory training has remained steady, however this conceals improvements in completion for GDPR and display screen equipment and a drop in managers needing to complete health and safety training. All managers will be reminded as to the absolute necessity of keeping this up to date.

- 5.4 Joint Committee will recall that the Q2 report included an analysis of the results of the 2023 LCC Staff Survey. Overall, the results were positive news but two questions in particular had a significant drop of nearly 10%, they were:
- My manager supports flexible working practices
 - I feel safe to speak up
- 5.5 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. Staff were asked to attend the office twice a week to assist with the establishment of the new teams and new ways of working. In light of responses, this initiative is under review to find alternative ways of meeting operational needs, whilst promoting flexible working.
- 5.6 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. The analysis of this new data and resulting management actions will be reported in Quarter 4.
- 5.7 A new internal communications and engagement plan has been developed to ensure that effective communication and consultation exists at a range of levels and over a range of channels. The boxes below outline the principles of the plan and its goals and objectives.

INTERNAL COMMUNICATION AND ENGAGEMENT AT EMSS			
Principles - Why it matters			
TEAMWORK Our colleagues will be better placed to team up and work together on projects		CLARITY Our colleagues will gain clarity on systems, services and processes throughout EMSS	
WELLBEING Our colleagues will feel empowered by receiving open, honest and transparent communication		COMPLIANCE Our colleagues will be more aware of legislative and partner expectations to promote compliance	

Objectives / Goals - What we want to achieve			
TRUST Our colleagues should find one another and comms reliable and honest, with a sense of mutual respect		MOTIVATION Our colleagues should feel inspired to promote change, develop goals and stay focused	
How: Distribute regular, consistent comms and provide colleagues with the opportunity to raise honest questions		How: Recognising and rewarding performance and teamwork	
PRIDE AND ADVOCACY Our colleagues should be proud to work for EMSS and champion the services we offer		CONNECTION Our colleagues should grow bonds with one another to promote collaboration and progress	
How: Share service-wide achievements, awards and statistics to present the accomplishments of EMSS over the year(s)		How: Create events and virtual spaces in comms for colleagues to share stories and experiences with one another	

6 Customer



6.1 Customer satisfaction has risen 11% from Q2 to 83% this quarter. All the teams have seen an increase, the table below highlights the improvement by service.

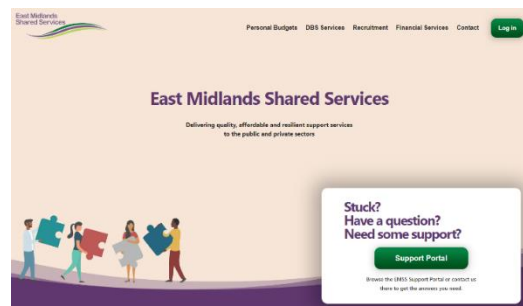
Quarter	ESC	FSC	BD
2	68%	73%	76%
3	82%	80%	88%

6.2 It is hoped that these results show a return to the trend of improvement. To assist this endeavour further work is being undertaken by the Customer Boards to look at the most common query types and how these can be resolved for customers using self-service channels. The Boards will also review the quality of responses to customers to ensure that interactions with EMSS customer agents provide the excellent service expected.

6.3 Use of the chatbot remained steady through the first two months of the quarter but fell in December inline with reductions in other channels. The business will continue to monitor volumes and outputs to ensure that the chatbot provide improving levels of service.

6.4 Although resolution times fell at the start of the quarter, with the build up to the Christmas break, with increased staff annual leave they rose again in December to 152 calendar hours. These should fall again quickly in Q4.

6.5 The new EMSS website has been developed and should go-live early in Q4. It provides easier access to the support portal as well as being easier to navigate and promote services. Final testing is underway to ensure it works across a range of devices and it should be live by the date of Joint Committee.



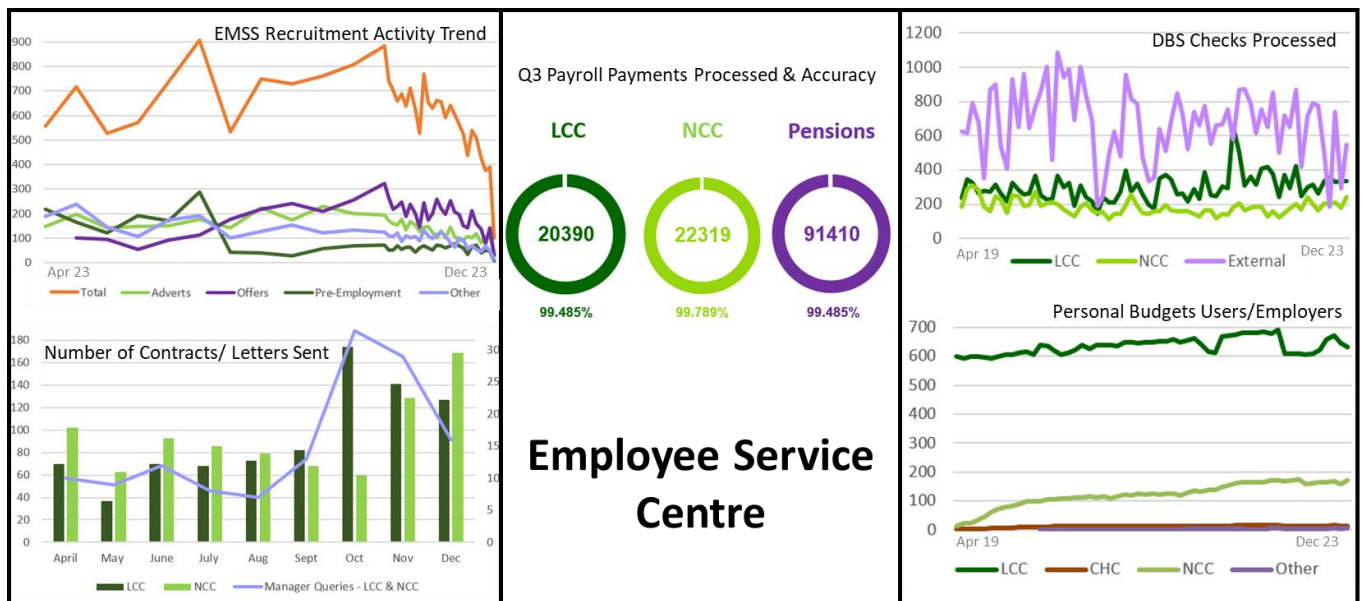
6.6 In addition to the new internal Communications plan an external plan is also being developed. This is less well advanced than its internal version, but its objectives and principles are shown below.

EXTERNAL COMMUNICATION AND ENGAGEMENT AT EMSS	
Principles - Why it matters	
<p>PROMOTION</p> <p>It is an opportunity to promote the EMSS brand and increase awareness of our diverse services.</p>	
<p>LOYALTY</p> <p>It is an opportunity to grow trust in EMSS and the services we offer to our partners</p>	
<p>CLARITY</p> <p>It is an opportunity to improve knowledge of systems and processes to drive efficiency</p>	
<p>PROVE OURSELVES</p> <p>It is an opportunity to demonstrate to our existing partners that we are innovative & cost-effective</p>	
Objectives / Goals - What we want to achieve	
<p>STRONG RELATIONSHIPS</p> <p>Our customers & Partners should have positive and transparent two-way relationships with EMSS</p> <p>How: Maintain regular, consistent and accurate comms that provides a place for feedback from both parties</p>	
<p>EDUCATED USERS</p> <p>Our customers & Partners should be aware of systems and processes to improve transactions and services</p> <p>How: Regularly review and develop our customer focused knowledgebases to reduce tickets and queries</p>	
<p>VALUE FOR MONEY</p> <p>Our Partners & Customers should see us as a cost-effective solution to Payroll & Transactional Finance</p> <p>How: Share service-wide achievements and statistics and apply for awards to showcase to partners and public</p>	
<p>RAISE AWARENESS</p> <p>The wider Public Sector should be more aware of our brand and the services we offer</p> <p>How: Improve our online presence and share a range of diverse services that EMSS can offer</p>	

6.7 The finalised plan will be presented to Joint Committee when it is complete.

7 Operational Performance

Employee Service Centre (ESC)



- 7.1 Q3 saw the ESC show some considerable signs of stabilisation in its processes and procedures, however, pressure remained on the payroll teams with residual maintained school queries and pension processes taking longer to settle.
- 7.2 the 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.
- 7.3 The ESC is now monitoring overpayments more 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 by the end of Q3.
- 7.4 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. This was a great achievement, as demonstrated by the limited increase in pay day queries.
- 7.5 Across Q3 the ESC processed 43,689 payments for NCC, LCC and external customers. The team also processed 91,410 payments to pensioners of the Leicestershire Pension Service through the Altair system.
- 7.6 The accuracy rates of the payroll are based upon the number of errors identified by employees, managers or EMSS after payday. The performance for Q3 is 144 errors out of a total of 43,689 payments (a rate of 0.32%). 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 across the quarter compared to the same quarter last year. There has been a decrease of 35%

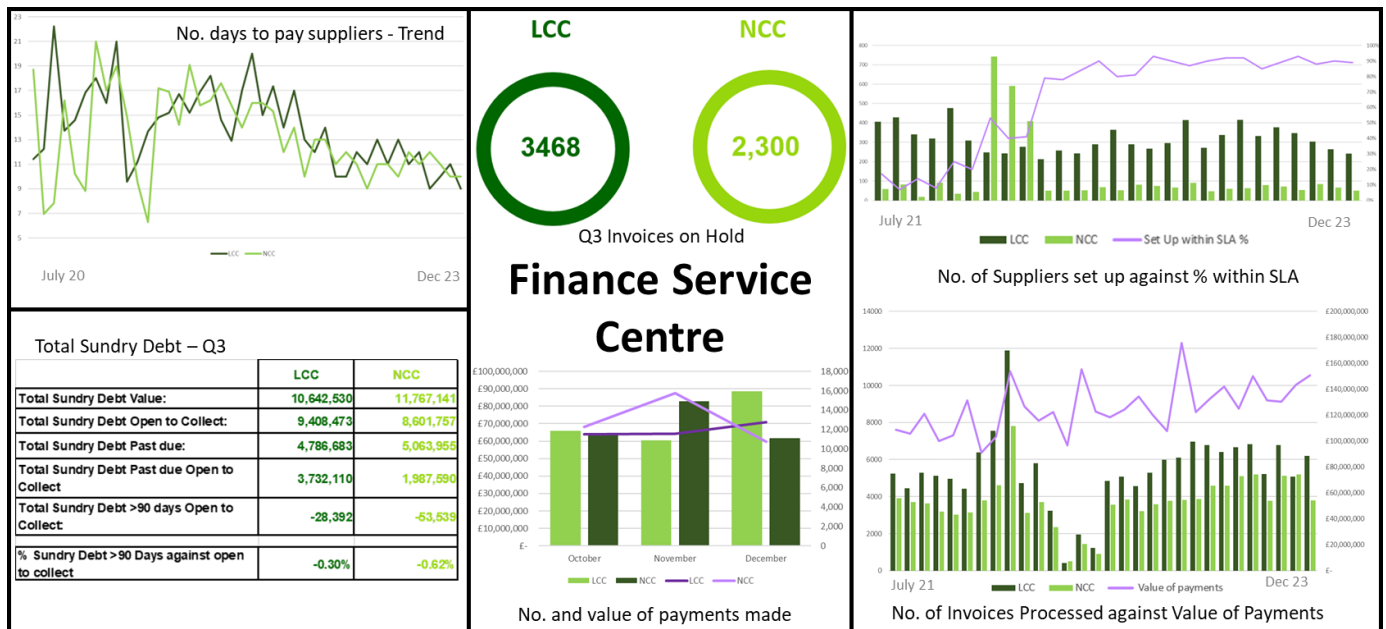
or 57 payments. It is worth noting though, that the greater scrutiny of the payroll is throwing up historical anomalies that are taking the payroll time to unravel.

7.7 In Q3, HR Admin colleagues produced, 442 contracts and letters for LCC and 358 for NCC. Work is ongoing to ensure that this team has visibility of all transactions that are completed through MSS. Under this scrutiny, the number of errors detected on MSS submissions has increased again this quarter, 78 errors were queried across the quarter. Work has been done with each partner organisation to identify the correct way for these transactions to come into us to help give clarity to managers and the supporting HR teams.

7.8 The total number of DBS checks completed in Q3 was 3904, which is 257 higher than in Q2. 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.

7.9 The recruitment team processed 585 adverts in Q3 a decrease of 20% on the previous quarter and the number of new appointments processed was 717, a decrease of 8% from Q2. Q3 saw ORC bed in as a process, this is 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, the number of contacts regarding ORC in Q2 was 382 and this decreased to 45 contacts in Q3. There was a 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 the quarter.

8 Finance Service Centre (FSC)



8.1 Overall performance during Q3 within the FSC remained within service level targets; with 23,486k payments made to a value of £124m. A total of 10,105 invoices were processed.

- 8.2 The average number of days to pay a supplier in Q3 was 9 days for LCC and 10 for NCC. As can be seen from the dashboard, over time these figures have fallen significantly.
- 8.3 In Q3, the overall proportion of invoices paid within 30 days for LCC was 95.7% and NCC was 95.3%. The proportion of trade suppliers paid within 30 days of receipt of a valid invoice was 98.2% for LCC and 97.6% for NCC. It is worth noting that both NCC & LCC have moved to payment of trade suppliers to terms from the date the invoice was received, not the date printed on the invoice.
- 8.4 Trade supplier invoices not paid within 30 days are due to invoices being on hold, either held in dispute or a delay in approving the invoice by the relevant manager. Monthly reports and emails are issued to chase the resolution of any invoices on hold, in a bid to try and get as many supplier invoices paid on time as possible. The FSC has little control over how quickly invoices are approved for payment.
- 8.5 At the end of Q3, LCC had fallen to 841 invoices on hold >90 days old and NCC increased slightly to 568. Invoices on hold include those awaiting coding or approval and are usually resolved within 1 to 2 weeks, the 90-day benchmark is reported as most disputes or reasons for non-payment should be resolved within that time.
- 8.6 NCC and EMSS are working on a project to clear any invoices that have been on hold for more than 12 months and are not actively being chased for payment. LCC is also looking at a similar exercise which should see aged invoices on hold reduced in the coming months.
- 8.7 The tables below show the breakdown of debt 'open for collection' for LCC and NCC in Q3. The performance is shown for both the new in-house EMSS team and the individual debt that is still with Thornton Hope. The figures can increase and decrease significantly month on month, for example if a large invoice falls past due. Overall, the collection performance rates are positive as the Councils are benefiting from the more focussed in-house service. Debt values are also seasonal, Christmas and school closures contribute to spikes in debt, however, they quickly recover in the following months as the market returns to normal. The debt not paid on time in December due to the seasonal spike was quickly recovered in early January, as per the commentary in the table below.

BU	Sector	Movement	Comments
LCC EMSS In House Open to collect Past due	Business	£564,204	8 customers (9 Transactions >£20k) = £1.7m (3 transactions on longer outstanding = £758k)
	Education	£188,255	
	NHS	£4,424	10 customers (16 Transactions >£20k) =£909k (12 transactions no longer outstanding = £708k)
	Public Sector	£722,069	
LCC EMSS TH Open to Collect Past Due	Individuals	£19,207	
	Other	£0	
Total EMSS Movement		£1,498,159	

BU	Sector	Movement	Comments
NCC EMSS in House Open to collect Past due	Business	-£5,329,828	£6.1m Inv 855130111 BEIS SICE credited 19.12.23
	Education	-£251,122	
	NHS	£39,995	
	Public Sector	-£183,523	
NCC EMSS TH Open to Collect Past Due	Individuals	£16,499	
	Other	£36,729	
Total EMSS Movement		-£5,671,250	

8.8 The dashboard shows that the percentage of suppliers set up within the 5 day target at the end of Q3 was stable at 90%. This is as high as can be achieved with the current process as EMSS are often reliant on additional information requested from suppliers or service teams.

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

9.1 In compiling this report discussions have taken place with the Head of EMSS, EMSS Sponsors and finance teams in Leicestershire County Council and Nottingham City Council.

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

10.1 Legal advice has been taken from NCC's Legal Services for relevant matters.

10.2 Procurement advice has been provided by NCC's Procurement team for relevant matters

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

11 Social value considerations

11.1 None

12 Equality Impact Assessment (EIA)

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

All projects and activities requiring an Impact Assessment have been done.

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

13.1 None

14 Published documents referred to in this report

14.1 None

Strategic Priorities Update

Priority	Actions	Status	Comment
Customer	Complete HCM implementation, including Oracle Recruiting Cloud	Complete	Completed in April 23
	Realise benefits from Freshdesk implementation	Complete	Embraced new functionality for all interactions between customers and EMSS. System is also being utilised by LCC Strategic Finance to manage all their customer interactions.
	Deliver Customer Service Strategy, utilising the enhanced digital technology provided by Freshdesk.	Complete	Delivered
	Providing data and reporting to enable end user to utilise self service	Ongoing	Data and reporting will remain a key theme for 2024 and beyond.
	Relentless focus on service quality, which is measurable and linked to strategic themes	Complete	Customer Boards are well established and provide a monthly focus on all aspects of customer service, interactions and demand management.
Operations	Clear backlogs created since the finance and HCM go-lives	Complete	Backlogs cleared on the service desks by April 2022.
	Review and confirm the target operating model (TOM) for each partner, ensuring alignment with their strategic priorities	Ongoing	This is a priority for both Councils. The services within EMSS are part of the overall HR and finance models, so TOM dictated by partners.
	Complete end to end process review in conjunction with the partners.	Ongoing	LCC finance work progressing.
	Digitisation of paper transactions to reduce post, printing and stationary costs	Ongoing	The ESC is reliant on partners granting all employee's access to Oracle, e.g., access online payslips to reduce costs.

			The FSC are developing business cases to move to paperless direct debits and implement a customer portal that will enable the digital management of invoices.
	Optimise operational efficiency (reducing cost per user)	Ongoing	Draft Best Value review completed for the FSC in February 24. Number of efficiency / improvement projects ongoing, e.g paperless direct debits. ESC due in 2025, post stabilisation of service.
	Ensure resilient infrastructure, security and business continuity plans in place	Ongoing	Work is ongoing across a number of areas to ensure robust plans are in place. These include a new DR and security plan for Oracle, new and improved formats for EMSS' Risk Log and BCP.
	Substantial assurance on core controls achieved and maintained	Ongoing	Disappointing audit outcomes for AR and IT in 2022/23. Should see an improvement in 2023/24 with just payroll not reaching substantial assurance.
	Increasing cash flow through improved debt collection – reduction in DCA fees and write offs	Ongoing	The final stage of the 'insourcing' debt collection will be completed by the end of March 24. KPI information indicates a significant improvement in the recovery of debt. Work is ongoing with partners regarding the legal process once the collection activity has been exhausted and write offs. Disputes and service area response times are still an area of concern.
	Deliver ESC Transformation plan by March 2025	Ongoing	Significant amount of the Transformation Plan was delivered in 2023, it is being updated to reflect the priorities for 2024.

People	To provide opportunities for continuous professional development and succession plan to enable staff to develop their careers with EMSS	Ongoing	APR completion and effective performance management is embedded within the services. More work to be done on succession planning.
	Develop new 'ways of working' operating model and principles based around remote working	Complete	Launched 'ways of working' across EMSS, within the services and individual teams.
	Become an organisation with enhanced people capacity and capability	Complete	Culture of performance management. Apprenticeships fully utilised in ESC, plan to introduce them in the FSC from 2025.
Finance	Reduce the overall EMSS headcount post Fit for the Future;	Complete	Staffing reduced across all three services post implementation of Fusion and the closure of the Fit for the Future Programme.
	Focus on jointly understanding our costs, so that the partners understand how their money is spent;	Complete	Detailed analysis of budget since 2012 complete and shared with partners. Presentation at Joint Committee in
	Agree the budget for EMSS for 2022 and basis of funding agreement and MTFP principles;	Complete	MTFP drafted and signed off yearly in consultation with Sponsors and Joint Committee.
	Realise the benefits from the significant investment in a Tier 1 ERP system	Ongoing	Will be an ongoing priority as should always be looking to realise the benefits from the ongoing investment. Re-negotiated the contract with Oracle in 2023 and was able to realign licences against usage and incorporate new modules.
	Become financially sustainable	Ongoing	Inflation and Oracle development costs will continue to apply pressure to the EMSS budget.
Technology	Establish 'support model' for Oracle Cloud Fusion across the partnership;	Complete	In light of the experience of running and supporting Oracle. EMSS will review the support model to reflect the larger role played by EMSS staff.

	Complete Managed Service Provider procurement and onboarding	Complete	Contract secured with Mastek from
	Develop a 'technology' roadmap which embraces the opportunities presented via quarterly updates and utilises new capability within our existing subscription as well as new product capability. Look to make the most of the investment in Oracle Fusion Cloud	Ongoing	Work has begun with Mastek and the partners to review how best use can be made of all the functionality available.
	Act as the 'business owner' for the Oracle Fusion Cloud product, managing the relationship with Oracle and the MSP on behalf of the partners.	Complete	In place from the end of the Fit for the Future programme.
	Reset relationship with Oracle – establish account meetings, attend forums, utilise 'Customer Connect' and Customer Relationship Manager;	Complete	In place from the end of the Fit for the Future programme.
	Embrace opportunities within the Oracle Cloud technology to ensure that business improvements accelerate post-stabilisation	Ongoing	Some progress, but capacity to focus on Oracle across the partnership has been impacted, e.g., Oracle Guided Learning
	Review of efficiency enabling technology (RPA development) and HCM Journeys	Ongoing	The use of RPA is under review currently with Mastek and partners to ensure the most efficient use of resource and of Oracle functionality.
Growth	Carry out an analysis of potential areas of growth for EMSS.	Ongoing	Business case had been developed and signed off to transition LCC Adult Social Care debt into EMSS from Jan 25. Further discussions required with Sponsors on 'internal' opportunities, where EMSS could pr
	Review 'traded' HR/Payroll services to confirm long term commercial viability	Complete	Decision taken in January 2023 to cease trading with the education sector.

	While we focus on driving effectiveness and efficiency within the services we deliver, keep an eye on the future and grow in a measured and managed way that balances reality with our ambitions.	Ongoing	Ongoing focus and priority for the Head of EMSS. Number of conversations with other Councils and customers have taken place, but any growth has to fit within the operating context and system restrictions.
	Develop a reputation built on quality that consequently provides opportunities for growth, either with our partners or new clients	Ongoing	Links to the work on the target operating model for HR and Finance, redefining the role of the Employee Service Centre and Finance Service Centre in 2024.

**East Midlands Shared Services Joint Committee
18 March 2024**

Subject:	East Midlands Shared Services Financial Update 2023/2024 and Medium Term Financial Plan 2024/2025 to 2027/2028	
Corporate Director(s) /Director(s):	Ross Brown – Corporate Director of Finance and Resources, Nottingham City Council (NCC) Declan Keegan – Assistant Director – Finance, Strategic Property & Commissioning, Leicestershire County Council (LCC)	
Report author and contact details:	Lucy Littlefair – Head of East Midlands Shared Services 01163056333 lucy.littlefair@emss.org.uk	
Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Subject to call-in <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Summary of issues (including benefits to citizens/service users): The Medium Term Financial Plan (MTFP) attached to this report provides 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.		
Recommendation(s): The EMSS Joint Committee is requested 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		

1. Reasons for recommendations

- 1.1. To provide the Joint Committee with the latest forecast position for 2024/25, the final budget for approval for 2025/26 and provide visibility on the Medium-Term Financial Plan (MTFP) up until 2027/28.

2. Background (including outcomes of consultation)

- 2.1 Attached to this report is a 4-year Medium Term Financial Plan for East Midlands Shared Services, covering the period 2024 – 2028.
- 2.2 The document sets out the purpose and principles of the MTFP for EMSS, an overview of the budgets and the funding arrangements, and contextual information for the local government and EMSS.
- 2.3 It also details the current financial position, the proposed budget for 2024/25 and the medium term plan for 2025-28.

3. Other options considered in making recommendations

3.1 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.

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

4.1 The financial implications for the partnership are:

a) The requirement to provide EMSS with the total funding summarised in section 9 of the MTFP.

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

5.1 None

6. Social value considerations

6.1 None

7. Equality Impact Assessment (EIA)

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

No



An EIA is not required because:

The report does not contain proposals for new or changing policies, services or functions outside the Councils.

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

8.1 None

9 Published documents referred to in this report

9.1 None

EastMidlandsSharedServices

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



East Midlands Shared Services

Medium Term Financial Plan

2024/25 – 2027/28

Introduction

1. The Purpose of the Medium Term Financial Plan (MTFP)

- 1.1 The MTFP is a key part of the East Midlands Shared Services' (EMSS) policy framework. It describes the organisation's financial direction and associated financial pressures over a four-year period, which will be reviewed annually to reflect the dynamic nature of funding in local government.
- 1.2 The plan establishes the likely level of resources, funding and income required by EMSS over the medium term. It will improve financial planning and strategic financial management through providing the financial context within which the EMSS budget is set.
- 1.3 The MTFP also allows for consideration of EMSS' reserves policy and the level of reserves to ensure that there is adequate protection against unforeseen events or costs.

2. The principles of the MTFP

- 2.1 The overarching principles that will apply across the East Midlands Shared Service's detailed financial accounting, planning and monitoring are:
 - a) that the East Midlands Shared Service's budgets, financial records and accounts will be prepared and maintained in line with approved Accounting Standards;
 - b) prior to setting a budget, the East Midlands Shared Service will always analyse potential risks and ensure these are minimised in line with its Risk Management Strategy;
 - c) that the East Midlands Shared Service's Leadership Team will review the budget proposals for reasonableness and adherence to corporate policies and objectives prior to the budget being submitted to Joint Committee;
 - d) the East Midlands Shared Service will monitor its budgets effectively. Monitoring will be undertaken monthly by the Head of East Midlands Shared Services together with their service managers, and to enable scrutiny of spend and the forecasts, discussed with the finance leads for EMSS in both Councils. Integrated monitoring reports will be reported to Joint Committee on a regular basis. In cases of significant financial and service performance that deviates from that planned, action plans setting out corrective action will be drawn up by the Head of East Midlands Shared Services and reported to Joint Committee as appropriate;

- e) that the East Midlands Shared Service’s Leadership Team will take appropriate steps to continue to maintain and improve the accuracy and quality of data that it uses thereby ensuring that budget and other decisions are taken on a sound basis;
- f) the Council will seek to maximise external contributions towards revenue for example through bidding for new business, participating in new funding streams and engaging in further strategic partnering opportunities where appropriate; and
- g) that East Midlands Shared Service is not a profit-making entity. Action is taken to mitigate avoidable costs; however unavoidable costs will ultimately need to be funded by the partnership.

3. Understanding the EMSS Operational Costs

3.1 The overall budget for the EMSS is split into two separate elements:

3.1.1 The **Operational Costs**, which consists of services provided by the Employee and Finance Service Centres and the Business Support Team.

3.1.2 Each service manages its own budget and is responsible for budgeting and forecasting the staffing, running costs, and income on a yearly basis. Table 1 below provides a summary of the operational costs for the three services and overall, since 2020/2021.

Operating Costs (Actuals)			
	2020/21	2021/22	2022/23
Income			
FSC	-£228,458	-£57,336	-£70,417
ESC	-£2,229,516	-£1,666,103	-£1,787,543
Mgt/Business Devt	-£116,447	-£40,900	-£17,098
Total	-£2,574,421	-£1,764,339	-£1,875,058
Staffing Costs			
FSC	£1,189,911	£1,024,617	£1,064,266
ESC	£2,900,187	£2,622,572	£2,771,940
Mgt/Business Devt	£404,840	£379,484	£336,453
Total	£4,494,938	£4,026,673	£4,172,659
Running Costs			
FSC	£391,771	£378,067	£311,107
ESC	£274,850	£132,340	£133,216
Mgt/Business Devt	£35,381	£93,565	£1,271
Total	£702,002	£603,972	£445,594
Total Operational Cost	£2,622,519	£2,866,306	£2,743,195

Table 1: EMSS operational cost for the period 2020/21 to 2022/23

3.1.3 The **Oracle / ICT costs** cover the Oracle Fusion system and support across the partnership as well as smaller hardware and software costs required to deliver the service, e.g., the Freshdesk system which manages customer queries.

3.1.4 Table 2 shows the Oracle/ICT costs incurred over the last three years:

	Operating Costs (Actuals)		
	2020/21	2021/22	2022/23
ICT Ongoing	£1,475,964	£1,787,202	£1,889,268

Table 2: EMSS ICT Ongoing cost for the period 2020/21 to 2022/23

4. How is EMSS funded?

4.1 The East Midlands Shared Service were allocated a budget for 2023/24 of £5.60 million.

4.2 EMSS is funded by the two partners of Nottingham City Council (NCC) and Leicestershire County Council (LCC). For 2023/24 the partnership funding contributions are £3,042,661 (or 54.31%) by NCC and £2,559,303 (or 45.69%) by LCC towards the overall net cost.

4.3 These allocations are based on the original (as-is) pooled budget contributions to the EMSS by LCC and NCC 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.

4.4 Where costs are on-going, the budget contributions are adjusted to incorporate the ongoing change in the cost/income, with partner contributions being flexed according to whether they relate to one or both parties. One-off budget costs are outside the partnership contribution but will form part of the overall EMSS budget allocation. As per the on-going costs these will be assigned to one or both partners depending on the funding agreement. Further adjustments are made at the end of the financial year to apportion any variation to the budget on an equal 50:50 split, ensuring the percentage split of the partnership contribution for the year remains the same.

4.5 The following general principles are applied in actioning adjustments arising from changes in costs/income to the budgeted partnership contributions:

- **Savings:** shared on an equal split 50:50 between partners
- **Inflation:** shared on an equal split 50:50 between partners (in recent years this has been funded from reserves)
- **Oracle licenses:** as a direct cost are assigned to each authority in accordance with agreed consumption. The cost of any spare licences is shared 50/50.

- **Running costs:** due to the requirement to share savings these will be assigned on an equal 50:50 split between partners where joint benefit, otherwise assigned directly (100%) to respective party.
- **Partner income:** this represents 'internal' income to recover the direct cost incurred by each partner and as such is assigned direct (at 100%) to the respective party. A reduction in income will result in an increase in the partner's contribution and an increase in income will result in a decrease in the partner's contribution.
- **External income:** generated by the EMSS therefore any change is shared on an equal 50:50 split between partners to maintain the share of savings.
- **Transfer of services:** where services are assigned from EMSS to a partner the costs are transferred, and the receiving partner's contribution will be reduced by the corresponding amount (at 100%). Alternatively, where a service transfers from a partner to EMSS, the transferring partner's contribution will be increased by the corresponding amount (at 100%).
- **Write-offs:** if EMSS make an error resulting in financial loss e.g., incorrect payment to an individual which cannot be recovered following legal proceedings, the relevant partner will be liable for the loss. If it involves an external customer, the partners will be liable for a 50:50 share.
- **Fraud:** any loss due to fraudulent activity will be funded by the partner organisation impacted.

4.6 The basic charging principles and financial arrangements associated with EMSS are contained in section 8 of the EMSS Sealed Agreement (30th September 2011).

4.7 The reason for the different percentages is that the two partners contributed different amounts of funding at the outset, and the Oracle licences were distributed differently.

4.8 Historically, EMSS maintained a reserve to protect against the risk of any uncertain or unforeseen expenditure. Such costs were meant to be one-off in nature. Given the depleted state of the reserve, Joint Committee agreed in June 2022 to remove the reserve and address additional cost pressures arising, as part of the usual course of business

5. Financial Operating Context

5.1 The financial position of both Councils has been challenging for a number of years due to over a decade of austerity combined with significant growth in spending pressures, particularly from social care and special education needs. This was exacerbated by the impact of the Covid-19 pandemic and significant increases in inflation, to levels not seen for many decades. The demand for and costs of providing services are far outstripping any increases in government funding and Council Tax.

- 5.2 These combined factors have led to the most difficult financial period in local government history, and looking further ahead there is no sign of the pressure easing. In the Autumn Statement 2023 the Chancellor laid out a very challenging picture for public services funding with real terms reductions for unprotected departments pencilled in after 2024/25. Local Government is not a protected department.
- 5.3 Both Councils have escalated financial controls in place, to varying extents, and have significant budget gaps in the medium term with challenging savings targets to deliver.
- 5.4 The future direction for local government finance is also unclear. Local government has been operating under annual, rather than multi-year, financial settlements for a number of years which makes financial planning even more difficult. With a General Election due before January 2025 and a Spending Review imminent in the next parliament, there remains much uncertainty about future policy in relation to local government finance and any potential funding reform.

Strategic Context for EMSS

- 5.5 The priorities within the Strategic Plan for EMSS 2022 – 2025 remain applicable:
- 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 service portfolio for the partners. (Growth)
- 5.6 The EMSS Strategic Plan for 2025 – 2028 will be developed within the financial context of both Councils and their vision and priorities for EMSS in the short to medium term. Work is underway to determine the key themes and priorities for the shared service over the next three years.

6. EMSS 2023/24 Forecast Financial Outturn Position

- 6.1 The overall forecast outturn position for EMSS as at end January 2024 (period 10) is £5.58 million, which represents an underspend of £40 thousand (or 0.7%) against the budget for the year. Table 3 below provides a summary of the 2023/24 forecast outturn position by service.

EMSS Financial Summary By Cost Centre		2023/24	2023/24	Variance
		Budget	Forecast	
62203	Finance Service Centre (FSC)	£1,377,191	1,388,346	£11,155
62204	Employee Service Centre (ESC)	£1,752,763	1,752,184	-£579
62205	Mgt & Business Development	£356,110	312,827	-£43,283
EMSS Operational Costs		£3,486,064	£3,453,357	-£32,707
62202	ICT ongoing	£2,115,900	2,110,603	-£5,297
EMSS Total		£5,601,964	£5,563,960	-£38,004
Additional Charge (-) / Reimbursement to Partners		£0	£38,004	£38,004
Partnership Contribution		£5,601,964	£5,601,964	£0

Table 3: Financial Forecast Outturn Position for the year 2023/24

6.2 Included in these forecasts 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.

6.3 Throughout 2023/24 EMSS have had to complete the ESC budget forecasts without receipt of any income from NCC. It has made the task of managing the budget more difficult than it should be. The period 10 forecast does not include any 'actual' income from NCC as the EMSS journals have not been processed since April 2023. There is a risk that at year end the outturn for the ESC is different than forecast.

6.4 Reasons for the underspend is explained as follows:

- Finance Service Centre (FSC) - forecasting a £11 thousand overspend due to reduced DCA charges (£20 thousand) and increase Bantec costs net of contribution from reserves (£22 thousand) offset by staffing vacancies (£31 thousand).
- Employee Service Centre (ESC) – forecasting a £1 thousand underspend arising from earlier than anticipated staff turnover following release of the staffing restructure (£44 thousand). This underspend is offset by increased costs associated with Oracle learning subscriptions (£8 thousand), CIPP re-accreditation (£3 thousand), consultant support costs (£2 thousand) and loss of income from recruitment (£2 thousand), emergency payments (£11 thousand) and schools and academies (£17 thousand).
- Management & Business Development – forecasting £43 thousand underspend as a result of managed vacancies to support wider organisation and budget.
- ICT On-going - forecasting £5 thousand underspend on staffing costs.

6.5 In recognition of the underspend position it is forecast each partner will receive a reimbursement of £19 thousand.

6.6 Redundancy costs associated with ESC restructure are being treated separately to the partnership contributions. These costs are expected to amount to £447 thousand, representing a £33 thousand (or 7.0%) underspend against the original estimate. These costs will be split 50:50 between partners.

7. Reserve Position

7.1 Table 4 provides a summary of the current projected movements in reserve with a view to clearing the remaining balance by 31st March 2024.

EMSS Total Reserves		
Opening Balance		£13,778
Deposits into reserves:		
	None	£0
Available reserves		£13,778
Use of reserves:		
	Banctec replacement system	-£13,778
Forecast Use of Reserves		-£13,778
Closing Balance		£0

Table 4: Projected balance on EMSS reserve on 31st March 2024.

7.2 The opening reserve balance at the start of 2023/24 was £14 thousand. The balance of the cost associated with the Banctec replacement system (£14 thousand) is expected to fully utilise the reserve during 2023/24.

7.3 The closing balance of the reserve on 31st March 2024 will be zero.

8. Forward Forecast

8.1 As part of the 2024-28 MTFP process, EMSS budgets have been developed to incorporate anticipated cost pressures caused by future pay awards, known inflationary increases, and the full year effect of the loss of income from the traded service to Maintained Schools and academies within the ESC. These increased costs have been offset in part by staffing reductions, savings in systems implementation costs and reductions in operational costs. No consideration is given to any cost implications arising from changes in the minimum wage following the Autumn Statement.

8.2 Table 5 outlines the anticipated base budget adjustments (categorised as either controllable or uncontrollable), EMSS net budget and funding arrangements over the next 4 years. Partner contributions have been assigned according to the principles outlined in section 4.5 above.

	Adjustments			
	2024/25	2025/26	2026/27	2027/28
Base Budget	£5,601,964	£5,697,987	£5,894,706	£6,099,600
Controllable				
Loss of Schools & Academies income	£327,710	£0	£0	£0
Staffing Savings (-) / Costs	-£236,616	£50,450	£13,566	£11,876
Additional Systems Costs	-£125,000	£0	£0	£0
Change in Operational Costs	-£162,404	-£3,250	£0	£0
Reduction in Other Fees & Charges	£6,387	£0	£35,820	£0
Total Annual	-£189,923	£47,200	£49,386	£11,876
Uncontrollable				
Prior Year	£63,249	£0	£0	£0
Pay Award / Inflation	£239,120	£149,873	£155,590	£161,449
Reduced Pension Contribution	-£25,133	-£354	-£82	-£72
Oracle Price Increase	£8,709	£0	£0	£0
Total Annual	£285,945	£149,518	£155,508	£161,377
TOTAL ANNUAL CHANGE	£96,022	£196,719	£204,894	£173,253
EMSS Net Budget	£5,697,986	£5,894,706	£6,099,600	£6,272,852
Funded by:				
NCC	£3,188,213	£3,286,572	£3,371,109	£3,457,735
LCC	£2,509,774	£2,608,134	£2,728,491	£2,815,117

Table 5: Base budget adjustments and funding arrangements 2024/25 to 2027/28

- 8.3 The full-year effect of income lost following the decision for the Employee Service Centre (ESC) to cease trading with maintained schools and academies with effect from 31 August 2023, is expect in 2024/25 and represents a cost of £328 thousand to the partnership.
- 8.4 In response staffing within the ESC has been rationalised, with the balance of savings expecting to be £329 thousand in 2024/25. This has resulted in an overall reduction to the ESC permanent establishment by 26.1FTE since 2022/23. For 2024/25, the ESC will be operating at 54.77FTE, which is 32.3% lower staffing levels than in 2022/23 and 40.9% lower than the pre-programme staffing levels of 2017/18. These savings have been offset in part by the establishment of an in-house debt recovery team within the Finance Service Centre (FSC) at a cost of £92 thousand. Other staffing cost increases in 2024/25 and later years represents the financial impact of salary increments.
- 8.5 £125 thousand is no longer required in the ESC budget in 2024/25 as it related to HR/Payroll system development costs related to the loss of education business.
- 8.6 The business decision to bring debt collection in-house has reduced operational costs in the Finance Service Centre by £107 thousand in 2024/25. Further operational savings (totalling £64 thousand) are expected within the ICT budget with cost reductions on universal credits and Freshdesk license subscriptions. Increase in recruitment costs (£3

thousand) and subscription costs (£6 thousand) within the ESC accounts for the difference.

- 8.7 Reduction in apprenticeship income, net of reductions in emergency payments, has reduced fees and charges income in the ESC by £6 thousand.
- 8.8 A provision has been made for future anticipated pay award/inflation, with an annual flat rate of 6.0% assumed for 2024/25 reducing to 3.5% from 2025/26 thereafter. This represents a cost of £239 thousand in 2024/25 and averages out at £156 thousand in later years.
- 8.9 Pension contributions have also been adjusted to incorporate the latest actuary estimates of a 0.8% reduction with effect from 2023/24 onwards, cumulating in a cost reduction of £25 thousand.
- 8.10 Taking account of the above adjustments the EMSS operational funding requirement has been identified at £3.62 million for 2024/25, increasing to £4.15 million by 2027/28.
- 8.11 Table 6 outlines costs by service at 2023/24 prices and separately identifies the anticipated cumulative effect of the pay award/inflation. Further breakdown of costs by cost classification is presented in Appendix A.

	2024/25	2025/26	2026/27	2027/28
Finance Service Centre	£1,359,911	£1,366,987	£1,407,633	£1,411,873
Employee Service Centre	£1,693,198	£1,735,330	£1,742,146	£1,747,733
Management & Business Developm	£347,759	£349,512	£351,355	£353,331
Subtotal	£3,400,868	£3,451,829	£3,501,134	£3,512,936
Pay Award / Inflation	£217,141	£353,304	£494,704	£641,467
Operational	£3,618,009	£3,805,133	£3,995,838	£4,154,403

Table 6: 2024-28 MTFP EMSS Operational Requirement

- 8.12 The ICT budget mainly consists of Oracle license costs and the IT support for the Oracle Cloud system. Total cost is £2.08 million in 2024/25 increasing to £2.12 million by 2027/28 (see table 7 below and Appendix A for further details).
- 8.13 In accordance with our contractual arrangement no annual increase has been applied to the Oracle license costs, which now incorporates Oracle Guided Learning. All 'spare' licences against additional modules and functionality have been assigned with further costs arisings to partners from license requirements beyond initial quotas.

	2024/25	2025/26	2026/27	2027/28
ICT Ongoing Costs				
Licenses Costs	£1,029,785	£1,029,785	£1,029,785	£1,029,785
Other ICT Costs	£1,028,213	£1,024,098	£1,024,098	£1,024,098
Subtotal	£2,057,998	£2,053,883	£2,053,883	£2,053,883
Pay Award / Inflation	£21,981	£35,690	£49,880	£64,566
ICT	£2,079,978	£2,089,573	£2,103,763	£2,118,449

Table 7: 2024-28 MTFP EMSS ICT Ongoing Requirements

- 8.14 The overall EMSS funding requirement for 2024/25 is £5.70 million, which represents an increase of £96 thousand (or 1.7%) compared to the current level of partner contributions, with the service effectively absorbing 59.8% (or £143 thousand) of the projected £239 thousand pay award for 2024/25.
- 8.15 The funding requirement is projected to rise to £6.27 million by 2027/28 primarily as a result of the pay award/inflation net of savings delivery. Overall funding requirements and associated changes compared to the 2023/24 partner contributions of £5.60 million is presented in Table 8, together with the projected breakdown of partner contributions over the life of the MTFs.

	2024/25	2025/26	2026/27	2027/28
EMSS Operational	£3,400,868	£3,451,829	£3,501,134	£3,512,936
ICT Ongoing	£2,057,998	£2,053,883	£2,053,883	£2,053,883
Subtotal	£5,458,866	£5,505,712	£5,555,016	£5,566,819
Pay Award / Inflation	£239,121	£388,994	£544,584	£706,033
Proposed EMSS Budget	£5,697,987	£5,894,706	£6,099,600	£6,272,852
<i>Required Change in Partner Contributions from 2023/24</i>	<i>£96,023</i>	<i>£292,741</i>	<i>£497,636</i>	<i>£670,888</i>
NCC Contribution	£3,188,213	£3,286,572	£3,371,109	£3,457,735
LCC Contribution	£2,509,774	£2,608,134	£2,728,491	£2,815,117

Table 8: Summary of Overall Funding Requirements 2024-28

Additional Funding Pressures Outside Existing Partnership Arrangements

- 8.16 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.
- 8.17 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. The table below provides a breakdown of the funding allocations, current forecast 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	Forecast	Variance	Budget
HCM Remedial Work	£219,243	£100,000	-£119,243	£100,000
ESC Staffing	£129,046	£10,192	-£118,854	£15,244
HCM Contractor	£11,735	£0	-£11,735	£0
Payroll Monitoring System	£57,600	£60,480	£2,880	£35,280
Funding Requirement	£417,624	£170,672	-£246,952	£150,524
Contributions:				
50% LCC	-£208,812	-£85,336	£123,476	-£75,262
50% NCC	-£208,812	-£85,336	£123,476	-£75,262
Net	£0	£0	£0	£0

Table 9: HCM Stabilisation Forecast and Budget 2023/24 to 2024/25

8.18 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 remains for 2023/24. These funds are not expected to be sufficient with an overspend of £8 thousand anticipated. Table 10 provides a breakdown of the forecast spend compared to budget for 2023/24.

8.19 A budget of £95 thousand remains required for 2023/24 and 2024/25 to allow NCC full access to the system. This reduces to £30 thousand from 2025/26 onwards. These costs are shared according to the needs of each partner.

FFtF Implementation	2023/24			2024/25	2025/26	2026/27
	Budget	Forecast	Variance	Budget	Budget	Budget
Ebus Archiving	£60,795	£52,080	-£8,715	£52,080	£30,000	£30,000
OBIEE costs	£26,000	£43,200	£17,200	£43,200	£0	£0
Funding Requirement	£86,795	£95,280	£8,485	£95,280	£30,000	£30,000
Contributions:						
LCC	-£30,398	-£26,040	£4,358	-£15,000	-£15,000	-£15,000
NCC	-£56,398	-£69,240	-£12,843	-£80,280	-£15,000	-£15,000
Net	£0	£0	£0	£0	£0	£0

Table 10: FFTF Implementation Forecast and Budget 2023/24 to 2026/27

9. Budget 2024/25

9.1 The EMSS budget for 2024/25 is presented on Table 11.

	Budget 2024/25				
	Staffing	Running Costs	Gross	Income	Net
Financial Service Centre	£1,366,326	£140,383	£1,506,709	-£69,460	£1,437,249
Employee Service Centre	£2,106,853	£70,151	£2,177,004	-£364,720	£1,812,284
Management & Business Development	£365,974	£2,500	£368,474	£0	£368,474
Operational Budget	£3,839,154	£213,034	£4,052,188	-£434,180	£3,618,008
ICT Ongoing	£395,824	£1,699,758	£2,095,582	-£15,604	£2,079,978
EMSS Total	£4,234,978	£1,912,792	£6,147,770	-£449,784	£5,697,986

Table 11: 2024/25 EMSS Budget

10. EMSS – growth opportunities, efficiencies and savings development

- 10.1 There have been significant changes since EMSS was formed in 2012 to the IT platform that it uses, its customer base and income, and operating context; therefore, it is appropriate to conduct a review of the efficiency of the service and whether it continues to deliver ‘value for money’ for the partners.
- 10.2 By the end of 2023/24, the Finance Service Centre will have completed its Best Value Review, which details a number of opportunities where the service could operate more efficiently. Working alongside the partners these opportunities may present savings opportunities within the service, e.g. reduce printing and postage costs, decrease demand on the service desk through the mandatory use of the supplier portal, reduce the time and effort required in the FSC regarding retrospective purchase orders.
- 10.3 The Employee Service Centre requires a similar review, but the focus is currently on delivering the ESC’s Transformation Plan (2023-25), which includes invasive development work on the payroll system in relation to absence and the Teachers’ Pension Scheme.
- 10.4 The updated Strategic Plan for 2024-27 will include details of the opportunities for growth in line with a new vision for the shared service. In defining the opportunities consideration will initially be taken of whether there are any ‘transactional’ services that have remained within the two Councils that could / should be delivered by EMSS.
- 10.5 Equally, the plan will outline whether EMSS should consider growing by onboarding external business. An initial SWOT analysis suggest that the Oracle system prohibits such ambition, and it may prove challenging for such an arrangement to be commercially viable, as experienced by the payroll service with the education sector. EMSS regularly receives approaches by other Councils about the provision of services and it is therefore appropriate to re-visit the opportunities for growth (internal and external) through the development of the Strategic Plan.

11. Risk Assessment

11.1 The finance related risks from EMSS's risk register are detailed in Appendix B.

12. Section 151 Officer Statement – not been updated since draft version in Dec.

12.1 *The Medium Term Financial Plan (MTFP) forms the overarching framework within which EMSS financial planning and management activity takes place. The annual budget is an integral part of the rolling multi-year MTFP. This approach enables it to support delivery of the EMSS's priorities and alignment with EMSS overall.*

12.2 *The current draft MTFP for the period 2024/25 – 2027/28, will be reviewed, refreshed and finalised in March 2024 for approval, following the respective Full Council meetings held by LCC and NCC with regards to the approval of 2024/25 annual budgets. With this in mind, the assessment of the robustness of the budget estimates and appropriateness of reserves will be determined as part of the final EMSS MTFP report in March and recommendations made accordingly.*

12.3 *Appendix A sets out the indicative MTFP forecast over the four year planning period and table 9 set out the proposed allocation of funding between LCC and NCC. Both Councils are expected to mirror the final estimated cost, as this is agreed over the coming months within their respective MTFP and budget process to be approved in by their respective Council meetings in February/March 2024.*

12.4 *Section 11, appendix B sets out the key operational risks identified by EMSS for next year. Should any of these risks crystallise and materially impact on the overall financial position of EMSS, there is potential risk for unplanned contributions to be made by LCC and NCC to avoid any recourse to limited contingency. EMSS will be expected to, as far as possible mitigate these risks within existing approved budgeted contributions or reserves. Where any risks cannot be mitigated by EMSS then these may fall to LCC and NCC to fund, causing a potential unfunded pressure for both councils. As part of the budget and adequacy of reserves assessment consideration will need to be given to these risks and potential need for any additional funding contributions from LCC and NCC.*

Medium Term Financial Plan 2024-28

	Budget			
	2024/25	2025/26	2026/27	2027/28
Financial Service Centre				
FTE	34.2	34.2	34.2	34.2
Staffing	£1,288,988	£1,296,814	£1,301,640	£1,305,880
Running Costs	£140,383	£139,633	£139,633	£139,633
Income	-£69,460	-£69,460	-£33,640	-£33,640
Net	£1,359,911	£1,366,987	£1,407,633	£1,411,873
Pay Award	£77,339	£125,435	£175,382	£227,226
Net	£1,437,250	£1,492,421	£1,583,015	£1,639,099
Employee Service Centre				
FTE	55.3	55.3	55.3	55.3
Staffing	£1,987,767	£2,032,399	£2,039,215	£2,044,802
Running Costs	£70,151	£67,651	£67,651	£67,651
Income	-£364,720	-£364,720	-£364,720	-£364,720
Net	£1,693,198	£1,735,330	£1,742,146	£1,747,733
Pay Award	£119,086	£194,283	£272,350	£353,346
Net	£1,812,284	£1,929,613	£2,014,496	£2,101,078
Management & Business Development				
FTE	4.5	4.5	4.5	4.5
Staffing	£345,259	£347,012	£348,855	£350,831
Running Costs	£2,500	£2,500	£2,500	£2,500
Income	£0	£0	£0	£0
Net	£347,759	£349,512	£351,355	£353,331
Pay Award	£20,716	£33,586	£46,971	£60,895
Net	£368,474	£383,098	£398,326	£414,226
ICT Ongoing				
FTE	8.4	8.4	8.4	8.4
Staffing	£373,844	£369,729	£369,729	£369,729
Running Costs	£1,699,758	£1,699,758	£1,699,758	£1,699,758
Income	-£15,604	-£15,604	-£15,604	-£15,604
Net	£2,057,998	£2,053,883	£2,053,883	£2,053,883
Pay Award	£21,981	£35,690	£49,880	£64,566
Net	£2,079,978	£2,089,573	£2,103,763	£2,118,449
NET	£5,697,987	£5,894,706	£6,099,600	£6,272,852
Operational	£3,618,009	£3,805,133	£3,995,838	£4,154,403

Risk Assessment 2024-28

ID	Risk description & impact	Status	Risk Owner	Current Likelihood	Current Impact	Current Risk Score	Risk Response
2	Our ability to deliver efficiencies and budget savings may require re-prioritisation of certain projects/work and impact service delivery.	Open	Lucy Littlefair	3	4	12	Utilise the Transformation Programme and monthly board meetings to plan work effectively and consider issues and risks
4	HCM stabilisation work will be at risk if the required access to the necessary resources / funding is not available, reducing the ESC's ability to deliver efficient processes, negatively impacting staff morale, confidence in the system and EMSS' reputation.	Open	Lucy Littlefair	4	4	16	Effective planning of the resource and funding to deliver the stabilisation plan will reduce the risk of non delivery.
23	EMSS may struggle to support the improvement programmes within both Councils within the budgeted resource. There is no contingency for absence or maternity leave, or absorbing additional project based work.	Open	Lucy Littlefair	3	4	12	Effective resource and vacancy management should mitigate some of the risk; alongside early notice of projects through account meetings that will require EMSS resource.
8	A lack of capacity to respond to new major programmes / continuous improvement within EMSS may impact on the operational performance of EMSS.	Open	Lucy Littlefair	3	3	9	Utilise the Transformation Programme and monthly board meetings to plan work effectively and consider issues and risks
10	Losing key staff from an aging workforce profile and impending staff retirements may impact our ability to deliver services efficiently. The loss of knowledge might cause additional pressure on staff, negatively impacting staff morale, increasing the possibility of errors and reducing EMSS' reputation.	Open	Lucy Littlefair	2	2	4	Workforce plan in plan to identify potential future skills gaps. Ensure no single points of failure through multi-skilling staff. Utilise apprenticeships to attract candidates.
14	Loss of PTX - BACS system	Open	Jill Turner	2	5	10	This has proved a stable system and although workarounds are in place for some payments, its loss would result in severe issues
15	Loss of Oracle Fusion	Open	Jill Turner	3	5	15	The BCP covers this in detail but there are workarounds for critical functions
18	Loss or service failure by Managed Service Provider	Open	Jill Turner	3	4	12	Effective account management. Maintain engagement with different suppliers in the market.
19	Loss of FreshDesk (inc. MSP, Service Desks, internal Payroll and FSC portals etc.)	Open	Jill Turner	2	4	8	Workarounds - emails and calls
24	The budgeted costs of Oracle are based on licence usage as at November 2023. The costs are not fixed and can vary dependent upon usage with the system.	Open	Jill Turner	4	2	8	The appropriate controls in place to monitor and highlight any over usage.
	Unavoidable inflationary costs: approximately 90% of the EMSS budget relates to staffing with limited scope within running costs to make cost reductions. The services that EMSS provides are driven by service volumes outside of its direct control. Savings to offset all cost increases may not be possible	Open	Lucy Littlefair	4	4	16	Focus on continuous improvement and taking every opportunity to reduce the cost of the service, to enable some inflationary costs to be absorbed each year.

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**East Midlands Shared Services Joint Committee
18 March 2024**

Subject:	East Midlands Shared Services Internal Audit Plan 2024/25	
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)	
Report author and contact details:	Shail Shah, Head of Audit & Risk, Nottingham City Council	
Key Decision	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Subject to call-in <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Summary of issues (including benefits to citizens/service users):		
This report updates Joint Committee on Internal Audit work and seeks approval for the EMSS Audit Plan 2023 / 2024		
Recommendation(s): The EMSS Joint Committee is requested to:		
1. Note the progress and outcomes of the 2022/23 audits and opinion		
2. Note the progress of the 2023/24 audits		
3. Approve the 2024/25 audit plan		

1 Reasons for recommendations

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

2 Other options considered in making recommendations

- 2.1 A Robust Audit plan is a key pillar of the governance and assurance framework for EMSS. The audit updates for 22/23 and 23/24 and the plan for 2023/24 has been produced by Nottingham City Council’s Head of Internal Audit for comment and approval by Joint Committee.

3 NCC Head of Audit Update, including 2022/23 Opinion

- 3.1 EMSS is constituted under Joint Committee arrangements, to process payroll/HR, accounts payable and accounts receivable transactions for Leicestershire County Council and Nottingham City Council.
- 3.2 Nottingham City Council Internal Audit is the designated Internal Audit provider for EMSS. The Council and Head of Internal Audit (HoIA) has ensured that the service has adopted and complies with the principles contained in the Public Sector Internal Audit Standards (PSIAS) and has met the requirements of the Account and Audit Regulations 2015 and associated regulations. This includes compliance with the

governance requirements set down in the CIPFA Statement on the role of the Head of Internal Audit.

- 3.3 EMSS managers are responsible for ensuring that proper standards of internal control operate within their organisation. The NCC Internal Audit service undertakes reviews of the internal control procedures in respect of the key systems and processes run by EMSS on behalf of itself and its clients; the Annual Audit Plan continues to focus in these areas.
- 3.4 The Audit Plan is agreed annually and reported to LCC and NCC governance committees. Reports in respect of all reviews are issued to the responsible colleagues within EMSS and final agreed versions of reports are shared with LCC colleagues. These reports include agreed recommendations within attached action plans and a level of assurance that is drawn from the findings. The Internal Audit Team meets periodically with the EMSS Management Team to discuss progress

4 EMSS Audit Outturn 2022/23

- 4.1 During 2023, partners were made aware of the challenges experienced by the NCC Internal Audit Team, with NCC priorities and staffing shortages impacting on our ability to complete the featured audits within a reasonable time frame, with the final reporting for 2022/23 concluding in September 2023.
- 4.2. A summary of the work completed for 2022/23 and the associated level of assurance is as follows:

Audit	Focus	2021/22 Outcome	2022/23 Outcome
Payroll	System Control and Processes	Limited Assurance	Limited Assurance
Accounts Receivable	System Control and Processes.	Significant Assurance	Moderate Assurance
Accounts Payable	System Control and Processes.	Moderate Assurance	Significant Assurance
System Admin and access controls	System Control and Processes.	Moderate Assurance	Limited Assurance

5 Head of Internal Audit Opinion - 2022/23

- 5.1 Over and above the delays to completing the 2022/23 Plan, there has been a delay in providing an opinion for 2022/23 because the Head of Internal Audit experienced a prolonged period of absence from work.
- 5.2 On the basis of audit work undertaken during the 2022-23 financial year, the Head of Internal Audit (HoIA) at Nottingham City Council concludes that a “limited” level of assurance can be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered. Whilst the direction of travel for the four audits, from 2021/22 to 22/23 has varied, the overall movement

over the year is not sufficient to warrant a “moderate” level of assurance. That said, we would fully expect the opinion to improve for 2023/24. This opinion is influenced by the following concerns with the audits completed:

Payroll

- 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. We experienced difficulties in completing all fieldwork because of the lack of available evidence, which delayed the process.

Accounts Receivable

- Issues around the collection strategy/compliance
- Concerns around write-out of debt

ICT Systems Admin/Access

- The need to perform an Oracle Health Check on a regular basis
- Improvements to business continuity arrangements

6 Internal Audit Plan 2023/24 Update

6.1 The current position of the audits in the current year’s plan is as follows:

Audit	Status
Payroll 23/24	Fieldwork in Progress
Accounts Receivable 23/24	Planning
Accounts Payable 23/24	Fieldwork in Progress
System Admin and access controls 23/24	Follow Up Completed and Drafting Report

6.2 For reasons already stated, we expect the work on these audits to continue until at least the end of the first quarter of 2024/25.

7 Internal Audit Plan 2024/25

7.1 From the third quarter of 2024/25, we intend to limit our work to just follow-up audits in respect of those recommendations made as part of 2023/24 reviews.

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

8.1 None.

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

9.1 None

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

10 Social value considerations

10.1 None

11 Equality Impact Assessment (EIA)

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

No



An EIA is not required because:

The report details the Audit arrangements for EMSS

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

12.1 None

13 Published documents referred to in this report

13.1 None

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