

**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.

<b>Operating Costs (Actuals)</b>			
	2020/21	2021/22	2022/23
<b>Income</b>			
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
<b>Total</b>	<b>-£2,574,421</b>	<b>-£1,764,339</b>	<b>-£1,875,058</b>
<b>Staffing Costs</b>			
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
<b>Total</b>	<b>£4,494,938</b>	<b>£4,026,673</b>	<b>£4,172,659</b>
<b>Running Costs</b>			
FSC	£391,771	£378,067	£311,107
ESC	£274,850	£132,340	£133,216
Mgt/Business Devt	£35,381	£93,565	£1,271
<b>Total</b>	<b>£702,002</b>	<b>£603,972</b>	<b>£445,594</b>
<b>Total Operational Cost</b>	<b>£2,622,519</b>	<b>£2,866,306</b>	<b>£2,743,195</b>

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 (30<sup>th</sup> 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.

<b>EMSS Financial Summary By Cost Centre</b>		<b>2023/24 Budget</b>	<b>2023/24 Forecast</b>	<b>Variance</b>
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
<b>EMSS Operational Costs</b>		<b>£3,486,064</b>	<b>£3,453,357</b>	<b>-£32,707</b>
62202	ICT ongoing	£2,115,900	2,110,603	-£5,297
<b>EMSS Total</b>		<b>£5,601,964</b>	<b>£5,563,960</b>	<b>-£38,004</b>
<b>Additional Charge (-) / Reimbursement to Partners</b>		<b>£0</b>	<b>£38,004</b>	<b>£38,004</b>
<b>Partnership Contribution</b>		<b>£5,601,964</b>	<b>£5,601,964</b>	<b>£0</b>

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 31<sup>st</sup> March 2024.

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

Table 4: Projected balance on EMSS reserve on 31<sup>st</sup> 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 31<sup>st</sup> 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
<b>Base Budget</b>	<b>£5,601,964</b>	<b>£5,697,987</b>	<b>£5,894,706</b>	<b>£6,099,600</b>
<b>Controllable</b>				
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
<b>Total Annual</b>	<b>-£189,923</b>	<b>£47,200</b>	<b>£49,386</b>	<b>£11,876</b>
<b>Uncontrollable</b>				
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
<b>Total Annual</b>	<b>£285,945</b>	<b>£149,518</b>	<b>£155,508</b>	<b>£161,377</b>
<b>TOTAL ANNUAL CHANGE</b>	<b>£96,022</b>	<b>£196,719</b>	<b>£204,894</b>	<b>£173,253</b>
<b>EMSS Net Budget</b>	<b>£5,697,986</b>	<b>£5,894,706</b>	<b>£6,099,600</b>	<b>£6,272,852</b>
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
<b>Subtotal</b>	<b>£3,400,868</b>	<b>£3,451,829</b>	<b>£3,501,134</b>	<b>£3,512,936</b>
Pay Award / Inflation	£217,141	£353,304	£494,704	£641,467
<b>Operational</b>	<b>£3,618,009</b>	<b>£3,805,133</b>	<b>£3,995,838</b>	<b>£4,154,403</b>

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 arising 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
<b>Subtotal</b>	<b>£2,057,998</b>	<b>£2,053,883</b>	<b>£2,053,883</b>	<b>£2,053,883</b>
Pay Award / Inflation	£21,981	£35,690	£49,880	£64,566
<b>ICT</b>	<b>£2,079,978</b>	<b>£2,089,573</b>	<b>£2,103,763</b>	<b>£2,118,449</b>

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
<b>Subtotal</b>	<b>£5,458,866</b>	<b>£5,505,712</b>	<b>£5,555,016</b>	<b>£5,566,819</b>
Pay Award / Inflation	£239,121	£388,994	£544,584	£706,033
<b>Proposed EMSS Budget</b>	<b>£5,697,987</b>	<b>£5,894,706</b>	<b>£6,099,600</b>	<b>£6,272,852</b>
<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
<b>Funding Requirement</b>	<b>£417,624</b>	<b>£170,672</b>	<b>-£246,952</b>	<b>£150,524</b>
<b>Contributions:</b>				
50% LCC	-£208,812	-£85,336	£123,476	-£75,262
50% NCC	-£208,812	-£85,336	£123,476	-£75,262
<b>Net</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

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
<b>Funding Requirement</b>	<b>£86,795</b>	<b>£95,280</b>	<b>£8,485</b>	<b>£95,280</b>	<b>£30,000</b>	<b>£30,000</b>
<b>Contributions:</b>						
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
<b>Net</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

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
<b>Operational Budget</b>	<b>£3,839,154</b>	<b>£213,034</b>	<b>£4,052,188</b>	<b>-£434,180</b>	<b>£3,618,008</b>
ICT Ongoing	£395,824	£1,699,758	£2,095,582	-£15,604	£2,079,978
<b>EMSS Total</b>	<b>£4,234,978</b>	<b>£1,912,792</b>	<b>£6,147,770</b>	<b>-£449,784</b>	<b>£5,697,986</b>

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
<b>Financial Service Centre</b>				
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
<b>Net</b>	<b>£1,437,250</b>	<b>£1,492,421</b>	<b>£1,583,015</b>	<b>£1,639,099</b>
<b>Employee Service Centre</b>				
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
<b>Net</b>	<b>£1,812,284</b>	<b>£1,929,613</b>	<b>£2,014,496</b>	<b>£2,101,078</b>
<b>Management &amp; Business Development</b>				
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
<b>Net</b>	<b>£368,474</b>	<b>£383,098</b>	<b>£398,326</b>	<b>£414,226</b>
<b>ICT Ongoing</b>				
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
<b>Net</b>	<b>£2,079,978</b>	<b>£2,089,573</b>	<b>£2,103,763</b>	<b>£2,118,449</b>
<b>NET</b>	<b>£5,697,987</b>	<b>£5,894,706</b>	<b>£6,099,600</b>	<b>£6,272,852</b>
<b>Operational</b>	<b>£3,618,009</b>	<b>£3,805,133</b>	<b>£3,995,838</b>	<b>£4,154,403</b>

**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.



