



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

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

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

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

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

Exempt information:

None

Recommendation(s):

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

1. Reasons for recommendations

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

2. Background (including outcomes of consultation)

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

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

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

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

3. Other options considered in making recommendations

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

4. EMSS 2023/24 Financial Outturn Position

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

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

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

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

4.3 The outturn for each service is explained as follows:

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

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

5. Reserve Position

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

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

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

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

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

6. Additional Funding Pressures Outside Existing Partnership Arrangements

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

6.2 HCM Stabilisation Costs

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

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

Table 3: HCM Stabilisation Costs

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

6.3 Fit For the Future (FFtF) Legacy Costs

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

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

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

Table 4: Fit for the Future Legacy Costs

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

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

6.4 ESC Redundancy Costs

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

7. **2024-28 MTFP Update**

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

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

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

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

Table 5: Summary of Overall Funding Requirements 2024-28

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

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

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

8.1 The Financial implications for the partnership are:

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

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

9.1 None

10. Social value considerations

10.1 None

11. Equality Impact Assessment (EIA)

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

12. Published documents referred to in this report

12.1 None