



**East Midlands Shared Services Joint Committee
16 September 2024**

Subject:	East Midlands Shared Services Financial Outturn Position 2024/25 and Medium Term Financial Plan 2025/26-2028/29.	
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) Elaine Simpson – Head of East Midlands Shared Services	
Other colleagues who have provided input:	None	
Key Decision	<input checked="" type="checkbox"/> Yes <input 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 financial performance of the East Midlands Shared Service (EMSS) and Oracle/ICT spend for the financial year 2024/25 (as at July 2024) 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 forecast outturn position of EMSS for 2024/25 as at the end July 2024, reporting an underspend of £122 thousand. Expected reimbursement to each partner authority is £61 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 latest forecast outturn position of the EMSS for the financial year 2024/25; an update on the reserve position; and acknowledge the spend against additional earmarked funding separate to the EMSS partnership contribution - 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 2024/25 the partnership funding contributions are £3.133 million (or 55.5%) by NCC and £2.510 million (or 44.48%) 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 A reserve was established as part of the 2023/24 year-end process to manage funding commitments for the seeded absence project only, for which delivery has slipped into 2024/25.
- 2.6 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 2024/25 Financial Forecast Outturn Position

- 4.1 The overall forecast outturn position for EMSS at the end of July (period 4) is £5.52 million, which represents an underspend of £122 thousand (or 2.2%) against the approved budget for the year. Table 1 below provides a summary of the 2024/25 forecast outturn position by service.

EMSS Financial Summary By Cost Centre		2024/25 Approved Budget	2024/25 Forecast	Variance
62203	Finance Service Centre (FSC)	£1,435,890	1,386,004	-£49,886
62204	Employee Service Centre (ESC)	£1,758,682	1,728,730	-£29,952
62205	Mgt & Business Development	£368,474	344,796	-£23,678
EMSS Operational Costs		£3,563,046	£3,459,530	-£103,516
62202	ICT ongoing	£2,079,978	2,061,003	-£18,975
EMSS Total		£5,643,024	£5,520,533	-£122,491
Contribution from reserves		£0		£0
Additional Charge (-) / Reimbursement to Partners		£0	£122,491	£122,491
Partnership Contribution		£5,643,024	£5,643,024	£0

Table 1: Financial Forecast Outturn Position for the year 2024/25 as at end July (Period 4)

4.2 It should be noted that the forecast outturn assumes 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. Expectations are 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.

4.3 The forecast outturn for each service is explained as follows:

- Finance Service Centre (FSC) - £50 thousand underspend relates to staffing due to maternity cover at a lower spinal point and other staffing changes.
- Employee Service Centre (ESC) – £30 thousand underspend arising from staff turnover (£23 thousand) and additional income for both DBS processing (£28 thousand) and recruitment (£6 thousand). This is offset by increased costs associated with printing payslips (£12 thousand), DBS subscriptions (£6 thousand), Oracle consultant support (£5 thousand), postage (£3 thousand) and IT equipment purchases (£1 thousand).
- Management & Business Development – £24 thousand underspend following recruitment to the Head of EMSS position at a lower grade.
- ICT On-going - £19 thousand underspend as a result of managed vacancies to support the wider organisation and budget, together with reduced overtime costs.

4.4 In recognition of the overall underspend position, it is forecast each partner will receive a reimbursement of £61 thousand.

5. Reserve Position

5.1 Table 2 provides a summary of the current movements in reserve with a view to clearing out the balance remaining by 31st March 2025.

EMSS Total Reserves	
Opening Balance	£104,600
Deposits into reserves:	
Available reserves	£104,600
Use of reserves:	
Seeded Absence Project	-£104,600
Forecast Use of Reserves	-£104,600
Closing Balance	£0

Table 2: Projected balance on EMSS reserve by 31st March 2025

5.2 The opening reserve balance at the start of 2024/25 was £105 thousand and is fully committed to pay for the works related to the seeded absence project during 2024/25.

5.3 The closing balance on the reserve on 31st March 2025 is expected to be zero.

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, with changes to funding allocations subsequently approved by later Joint Committee meetings.

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 £603 thousand was separately approved over a 3-year period ending March 2025. To date £353 thousand has been spent, with a budget provision of £151k allocated for 2024/25 – representing an underspend of £99 thousand against the original approved funding. Included within the 2024/25 allocations is funding 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.

6.2.2 Table 3 provides a breakdown of the forecast outturn position against the funding allocations for 2024/25. These costs are to be shared equally between partners (split 50:50).

HCM Stabilisation Costs	2024/25		
	Budget	Outturn	Variance
HCM Remedial Work	£100,000	£100,000	£0
ESC Staffing	£15,244	£11,145	-£4,099
HCM Contractor	£0	£0	£0
Payroll Monitoring System	£35,280	£35,280	£0
Funding Requirement	£150,524	£146,425	-£4,099
Contributions:			
50% LCC	-£75,262	-£73,213	£2,050
50% NCC	-£75,262	-£73,213	£2,050
Net	£0	£0	£0

Table 3: HCM Stabilisation Costs

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 for the period ending March 2024. Subsequently funding has been approved by Joint Committee as part of the EMSS 2024-28 MTFP, which reflects NCC requirement to have full access to the archiving system during 2024/25.

6.3.2 Table 4 provides a breakdown of the funding allocations, 2024/25 forecast outturn position compared to budget, and anticipated requirements from 2025/26 onwards. These costs are shared according to the needs of each partner authority.

FFtF Implementation	2024/25			2025/26	2026/27
	Budget	Outturn	Variance	Budget	Budget
Ebus Archiving (shared)	£52,080	£52,080	£0	£30,000	£30,000
Ebus Archiving (100% NCC funded)	£43,200	£43,200	£0	£0	£0
Funding Requirement	£95,280	£95,280	£0	£30,000	£30,000
Contributions:					
LCC	-£15,000	-£15,000	£0	-£15,000	-£15,000
NCC	-£80,280	-£80,280	£0	-£15,000	-£15,000
Net	£0	£0	£0	£0	£0

Table 4: Fit for the Future Legacy Costs

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

7.1 The Financial implications for the partnership are:

- a) The requirement to provide EMSS with the total funding summarised in section 8 of the MTFP 2024-28.

b) In accordance with the agreed funding methodology, the overall funding requirement for 2024/28 amounted to £5,643,025 and was split between the two partners as follows:

- NCC: £3,133,251 (55.5%)
- LCC: £2,509,774 (44.5%)

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

8.1 None

9. Social value considerations

9.1 None

10. Equality Impact Assessment (EIA)

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

11. Published documents referred to in this report

11.1 None