

LGSS Joint Committee

17December 2015

Subject: LGSS 2015-16Budget Monitoring

Paper presented by: Matt Bowmer

Actions:

- 1. Note the financial monitoring position as at 31October 2015.**
- 2. Note the summary position on carry forward balances.**

1. Summary Financial Position

	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Outturn £000	2014-15 Outturn £000	2015-16 Forecast £000
Brought Forward (1 April)	0	-1,489	-3,289	-2,893	-2,005
Reinvestment	0	604	2,402	2,091	2,005
Repayment to Norwich City Council	0	0	184	0	0
Distribution of prior year dividend	0	0	700	700	0
Actual/Forecast Surplus	-1,489	-2,404	-2,009	-652	372
Drawdown from Smoothing Reserve	0	0	0	0	-372
Carried Forward (31 March)	-1,489	-3,289	-2,012	-754	0
Reinvestment c/f	0	0	-881	-1,251	
LGSS Reserves (31 March)	-1,489	-3,289	-2,893	-2,005	

The Table above summarises:

- The outturn position for 2011-12 through to 2014-15 as previously reported to Joint Committee.
- The planned reinvestment for 2015-16 as detailed in Appendix 3.
- The 2015-16 forecast outturn position outlined in Section 2 of this report and detailed in Appendices 1(a) and 1(b). This would leave a balance of £381k on the Smoothing Reserve for carry forward approval to 2016-17.

2. 2015-16 Budget Monitoring – October 2015

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Full Year Forecast Variance £000
Trading Account	818	2,147	-24,088	-185	-22,126	841
Service Assurance	0	749	0	-16	733	0
Finance	-220	19,792	-7,467	-1,660	10,665	-282
People, Transformation and Transactions	-300	23,304	-1,777	-1,203	20,324	-300
Information Technology	50	15,376	-39	-2,449	12,888	50
Law, Procurement and Governance	130	3,548	-961	-624	1,963	63
Total LGSS	478	64,916	-34,332	-6,137	24,447	372

Any deficit on the Trading Account which is not offset by in-year underspends across LGSS Directorates will be met from the LGSS Smoothing Reserve at year end, (see page 2).

There are a number of ongoing, or recently closed, consultations across LGSS Directorates and the cost implications of potential redundancies have yet to be fully assessed. There is a significant risk, however, that costs will exceed the £120k balance in the redundancy reserve, (see Appendix 3).

This report now reflects the restructure of the Law, Property and Governance Directorate with both Audit and Risk Management and Property Operations moving across to the Finance Directorate.

Further detail and commentary on the LGSS outturn position is provided at Appendices 1(a) and 1(b).

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Full Year Forecast Variance £000
Managed by LGSS on behalf of NCC:						
Finance	-109	7,005	-629	-50	6,326	-103
People, Transformation and Transactions	0	1,405	-205	0	1,200	-300
Information Technology	100	3,988	0	-46	3,942	100
Law, Procurement and Governance	-100	1,303	0	0	1,303	-200
Total NCC Managed	-109	13,701	-834	-96	12,771	-503
Managed by LGSS on behalf of NBC:						
Finance	0	220	0	0	220	0
People, Transformation and Transactions	0	129	0	0	129	0
Information Technology	0	1,271	0	0	1,271	0
Law, Procurement and Governance	0	821	0	0	821	0
Total NBC Managed	0	2,441	0	0	2,441	0
Managed by LGSS on behalf of CCC:						
Finance	752	10,203	-4,852	-559	4,792	781
Information Technology	-421	4,106	0	-1,884	2,222	-421
Law, Procurement and Governance	0	2,488	-5	0	2,483	-2
Total CCC Managed	331	16,797	-4,857	-2,443	9,497	358

Further detail and commentary on the forecast outturn position for budgets managed by LGSS on behalf of others is provided at Appendix 2.

Appendix 1 (a)

2015-16 Monitoring Detail – LGSS Budgets

Finance Directorate

	Previous Forecast Variance £000	Budget to Oct £000	Actual to Oct £000	Variance to Oct £000	Full Year Budget £000	Full Year Forecast Variance £000
Total Finance Directorate:						
Finance	-100	3,801	3,730	-71	5,816	-122
Audit and Risk Management	-40	542	467	-75	1,021	-80
Property Services	0	1,889	1,958	69	2,447	0
Strategic Assets	-80	923	738	-185	1,753	-80
Pensions Operations	0	1,327	1,200	-127	-372	0
Total Finance Directorate	-220	8,482	8,093	-389	10,665	-282

The Directorate is forecasting a £282k underspend, an increase of £42k from last month.

Finance is currently forecasting a £122k underspend. This is partly due to a forecast underspend of £107k on the CIPFA Trainee budget in the Cambridge office, due trainees taking up posts in other teams within LGSS. There is also a net £53k underspend forecast due to vacancies and changes following the Finance team restructure, additional income generated from a secondment to East Cambs, and a £22k underspend forecast in the Schools Finance team ;partially offset by an estimated £50k for temporary resources to support the housing company in Cambridgeshire and the cost of a joint class action re VAT on postage claims (£10k). The forecast also takes into account redundancy costs within the team.

A significant in-year underspend is likely in Audit and Risk Management due to efficiencies from the restructure and also the carrying of vacancies. Some of this may be used to procure extra resources in the interim, but an underspend figure of £80k is still considered achievable.

Strategic Assets is currently forecasting an £80k underspend. This is due to savings on valuations in the Northampton Office (£40k) and an underspend due to in-year vacancies while recruiting to the new structure (£40k). The team is planning to recruit agency staff in the short-term in order to cover these in-year vacancies whilst working towards implementing the new structure.

People, Transformation and Transactions Directorate

	Previous Forecast Variance £000	Budget to Oct £000	Actual to Oct £000	Variance to Oct £000	Full Year Budget £000	Full Year Forecast Variance £000
Total P,T&T Directorate:						
PTT Central Management	0	438	450	12	781	0
Policy & Strategy	-200	872	514	-358	1,392	-200
HR Business Partners	0	1,403	1,047	-356	2,129	0
Organisation Development	0	1,590	933	-657	1,723	0
Business Transformation Team	0	762	667	-95	972	0
Transactional Services	-200	3,171	2,684	-487	4,403	-200
Revenue and Benefits	0	3,346	3,388	42	5,237	0
LGSS Programme Team	100	2,221	2,880	659	3,687	100
Total P,T&T Directorate	-300	13,803	12,563	-1,240	20,324	-300

The Directorate is forecasting a £300k underspend.

The implementation of the Workforce Planning and Strategy team is planned for November 2015 and there is a forecast in-year underspend of £200k due to delays in recruitment.

The restructure across Transactional Services was implemented in August 2015 and has resulted in a number of vacancies which are actively being recruited to. The impact of the vacancies is expected to provide an in- year underspend of £200k.

There is a forecast pressure of £100k on the LGSS Programme Team budget. A 2015-16 budget reduction for this amount was made on the assumption that reductions to the ERP contract could be negotiated with Fujitsu, but given the new shared service solution this is unlikely to be achieved.

Information Technology Directorate

	Previous Forecast Variance £000	Budget to Oct £000	Actual to Oct £000	Variance to Oct £000	Full Year Budget £000	Full Year Forecast Variance £000
Operations:						
Northamptonshire County Council	50	1,912	2,042	130	3,278	50
Cambridgeshire County Council	0	1,181	1,203	22	1,308	0
Norwich	0	2,141	2,141	0	2,980	0
NHFT	0	2,639	2,735	96	3,495	0
Strategy & Architecture	0	629	737	108	864	0
Service Delivery	0	680	684	4	963	0
Total Information Technology Directorate	50	9,182	9,542	360	12,888	50

The Directorate is forecasting a £50k overspend.

The vacancy factor for NCC operations has not been met this year resulting in a £38.5k pressure. There is also a pressure within CCC Operations due to the cost of agency cover for long-term sickness.

There is a further pressure within the Directorate due to the additional recruitment of digital analysts to in source work previously procured at a premium by the retained organisations. There are also additional developer posts being recruited over and above the establishment in agreement with NCC and CCC. This pressure will be met as far as possible by in year vacancies, but it is envisaged there will be a residual cost that will need to be recovered from NCC and CCC. There will potentially be a need to recover these costs in future years from NCC/CCC who will benefit from a reduction in direct expenditure.

There is also a potential shortfall this year on the additional savings target of £75k allocated ahead of the IT Service Review.

Law, Procurement and Governance Directorate

	Previous Forecast Variance £000	Budget to Oct £000	Actual to Oct £000	Variance to Oct £000	Full Year Budget £000	Full Year Forecast Variance £000
Total Law, Procurement and Governance Directorate:						
LGSS Law Ltd						
Dividend Target	250	-530	1,963	2,493	-536	104
Overhead income target	0	0	0	0	-170	0
Head of LPG	0	0	0	0	45	100
NBC Legal Budget	0	295	153	-142	506	0
CCC Corporate Legal Budget	-40	51	29	-22	102	-40
Procurement	0	892	829	-63	1,023	-18
Democratic Support Services	-80	590	488	-102	992	-83
Total Law, Procurement and Governance Directorate	130	1,298	3,462	2,164	1,962	63

The Directorate is forecasting a £63k overspend, a reduction of £67k from last month.

The budgeted target profit for LGSS Law Ltd is £536k which includes the “trading offset” stretch income target of £350k applied during 2014-15 budget planning process. It is currently estimated that the actual profit delivered will be in the region of £432k, which leaves a £104k shortfall against the target. In the previous financial year the shortfall against the target was £229k. At a time when the service is going through a period of significant change in systems and operating model, LGSS Law has been working towards achieving a proportionately higher level of surplus than previous years. It is envisaged that in the coming months there will be a reduction in cost once new systems and processes are fully operational.

	2015-16 (previous month)	2015-16 (current forecast)
LGSS Law Ltd - Projected Summary Profit & Loss	£000	£000
Income		
Cambridgeshire CC	1,468	1,704
Northamptonshire CC	2,479	2,422
Northampton BC	506	506
Other	553	486
Total Income	5,006	5,118

Expenditure	4,720	4,689
Profit/Surplus (after tax)	-286	-432

There is currently a overspend reported of £100k on the head of LPG service line which is in relation to system developments costs and legal charges from the previous financial year. With regards to the legal charges work is in progress to see if these can be charged on the appropriate client.

The LGSS Law corporate Legal budget is currently forecast to underspend by £40k.

Procurement is currently forecasting a net underspend of £18k due to in-year vacancies.

Democratic Support Services is forecasting an underspend of £83k due to additional income generation from supporting the operation of the Northamptonshire Police and Crime Panel, (£40k), and an underspend in the Cambridge office due to an in-year vacancy and reduced expenditure on printing and other contracts, (£43k).

Service Assurance, Customers and Strategy

	Previous Forecast Variance £000	Budget to Oct £000	Actual to Oct £000	Variance to Oct £000	Full Year Budget £000	Full Year Forecast Variance £000
Total Service Assurance, Customers and Strategy Directorate:						
Service Assurance & Customer Engagement	0	302	278	-24	518	0
Leadership Support & Governance	0	79	74	-5	120	0
Communications & Marketing	0	55	48	-7	95	0
Total Service Assurance Directorate	0	436	400	-36	733	0

Service Assurance is currently reporting a zero outturn. The Business Planning Manager role is currently vacant, and the contracts officer vacancy, which is being covered by a temporary member of staff, is currently being reviewed. It is expected that all roles will be recruited to by the end of the calendar year.

Appendix 1(b)

Please note that this Appendix is not for publication by virtue of paragraph 3 of part 1 of 12a of the Local Government Act 1972 and has been circulated separately.

Appendix 2

2015-16 Monitoring Detail – Budgets managed by LGSS on behalf of others.

	Previous Forecast Variance £000	Budget to Oct £000	Actual to Oct £000	Variance to Oct £000	Full Year Budget £000	Full Year Forecast Variance £000
Northamptonshire County Council:						
Property Services	0	1,522	1,372	-150	3,615	0
Strategic Assets	-43	1,982	1,716	-266	2,466	-43
Finance	-66	142	18	-124	244	-60
Policy and Strategy	0	215	150	-65	370	0
Organisation Development	0	-43	-240	-197	830	-300
Information Technology	100	2,941	3,475	534	3,942	100
Democratic Services	100	760	840	80	1,303	100
Catering	0	1	3	2	1	0
Procurement	-200	0	-234	-234	0	-300
Total	-109	7,520	7,100	-420	12,771	-503
Northampton Borough Council:						
Finance	0	128	41	-87	220	0
Policy and Strategy	0	75	53	-22	129	0
Information Technology	0	742	628	-114	1,271	0
Insurance	0	479	679	200	821	0
Total	0	1,424	1,401	-23	2,441	0
Cambridgeshire County Council:						
Insurance	0	0	-0	-0	1,483	0
Property Services	892	4,659	4,977	318	6,642	977
External Audit	0	104	161	57	179	0
Strategic Assets	-140	-1,616	-1,958	-342	-3,052	-194
Members Allowances	0	567	538	-29	1,000	-2
Finance	0	62	175	113	1,023	-2
Information Technology	-421	2,405	1,925	-480	2,222	-421
Total	331	6,181	5,818	-363	9,497	358

Northamptonshire County Council

There is a forecast underspend of £503k on the budgets managed by LGSS on behalf of Northamptonshire.

There is a commitment to deliver £2m savings by 2017-18 through leverage of assets. Whilst the 2014-15 saving was achieved, this is increasingly challenging for 2015-16 and there is a potential risk of £265k slippage on this year's leverage of assets target in terms of permanent savings. In previous years this area of the business has generated savings which have not always been known until later in the year and so there remains some confidence that the target will be achieved. This will continue to be monitored and regular updates provided. In terms of in-year underspends, Strategic Assets is forecasting an overall £43k underspend on the main managed budgets due to additional in-year income from rents, leases and service charges, mainly from Delapre, Service Six and Northwood.

In Finance there is a £60k underspend forecast on External Audit fees based on current estimates.

OWD is forecasting a planned £300k underspend. Since the NCC in-year savings measures have been introduced, one of which included training, OWD have stopped spending commitment in some lower risk areas and delayed expenditure into 2016-17 to create an in-year underspend specifically on the largest funding source for NCC.

In IT there is a £100k pressure within the managed budgets due to the full year effect of the mobile phone contract savings of £200k not being fully realised this financial year.

Democratic Services are forecasting a £100k overspend due to non delivery of target savings. A plan is in place to reduce spending on the Empowering Councillors Scheme. Additionally, there will be realignment in coming months to reflect the transfer in of the budget and costs for political assistants and support staff from the Law, Procurement and Governance Operational budget.

In Procurement a one-off £300k underspend is forecast due to a negotiated rebate on the agency contract, mainly relating to social workers in NCC.

Cambridgeshire County Council

There is a forecast overspend of £358k on the budgets managed by LGSS on behalf of Cambridgeshire.

Property Operations is forecasting an overall overspend of £977k, an increase of £85k from the figure reported last month. As previously reported, the 50% rental period under the agreement to lease Castle Court was due to commence on 31st October 2015. However, due to delays in obtaining planning permission, the lease agreement is not now expected to be completed before December. The additional income predicted in 2015/16 has therefore been reduced pro rata from £281k to £225k, based on the assumption that rent will be received from December 2015. It is expected that there will also be a subsequent reduction of around £10k in the rate rebate achieved. Building Maintenance is forecasting an overspend of £121k due to a shortfall in the amount accrued in the 2014-15 accounts compared to invoices paid in respect of these accrued costs. Officers are investigating the reasons for the increase in costs, compared to those estimated.

The pressure resulting from Children's Centre business rates received to date and an assessment of the potential liability for bills not yet received is now forecast to be in the region of £603k, a reduction of £13k on the amount previously reported. Of this amount, £458k is the estimated liability for prior years billing and £145k relates to the estimated annual cost for 2015/16 onwards. The position will continue to be monitored and forecast outturn updated accordingly as further business rates bills are received.

Full-year savings have now been realised in respect of the closure of Dryden House (£203k) and the cessation of Castle Court running costs (£347k). The prior-year savings target for a reduction of the property portfolio has therefore been fully achieved and progress is being made towards the new 2015/16 target (£400k), with a balance of £379k to be identified. In addition, there are a number of small budgetary pressures across the portfolio, amounting to £100k. These have been partially offset by a £42k reduction in the anticipated cost of Dryden House dilapidations.

Within Strategic Assets, County Farms is forecasting a surplus of £154k, of which £140k is due to an increase in rent income following completion of 60 rent reviews during 2014/15. Levels of income generation resulting from the ongoing programme of solar PV installations across the estate are being assessed to consider whether any further underspend can be declared. There is also a forecast underspend of £40k on other hired contract services within the Effective Property Asset Management budget.

A £2k underspend is forecast on the Members Allowances budget due to reduced subsistence costs.

A £2k underspend is forecast on the Corporate Subscriptions budget held within Finance.

The IT Managed budgets show an underspend of £421k. To contribute towards recovery of the overall LGSS Managed overspend the balance on the IT Asset replacement fund (£475k) will be used to support this area of expenditure. This is facilitated by the move towards provision of mobile devices, which are funded from the IT for Smarter Business Working capital scheme. This is partially offset by £54k net pressures across the centrally held budgets.

Appendix 3
Summary Position on Carry Forwards

Directorate	Service Area	Title	2013-14 Carry Forward	2014-15 Carry Forward	Total Carry Forward		Drawn Down	Needed 2016- 17	Re- Assigned	Balance Awaiting Action
			£000	£000	£000		£000	£000	£000	£000
PT & T		Business re-engineering	53	0	53	*			-53	0
PT & T	Organisation & Workforce Development	Equipping employees to use Next Generation / Smarter Business mobile technology	0	319	319			-319		0
PT & T	Programme Management Office	Shared Service Solution	280	0	280			-280		0
PT & T	Revenue & Benefits	Systems Development	55	0	55					55
PT & T	PMO / Rev & Bens	Contingency to support above two projects by reducing reliance on partner contributions	0	100	100					100
Finance	Strategic Assets	Asset Management Database	142	0	142		-36			106
Finance	Pensions	IT systems	100	0	100					100
LP & G	Legal	Company VAT & tax advice	2	0	2					2
LP & G	Democratic Support	CMIS	13	0	13	*			-13	0
SAC & S	Service Assurance & Customer Engagement	Support delivery of trading targets	12	0	12					12
SAC & S	Service Assurance & Customer Engagement	Think as One, Deliver as One	22	0	22					22
IT	IT	Further in-sourcing to deliver ongoing revenue savings	0	100	100		-100			0
Cross-Cutting		Smoothing of trading income	500	253	753					753
Cross-Cutting		Redundancy reserve top-up	54	0	54	*			66	120
Total			1,233	772	2,005		-136	-599	0	1,270

* Carry forwards which have been identified as no longer required for their original purpose have been added to the redundancy reserve where there is an anticipated shortfall against potential demand.