

For the public sector



Agenda Item No: 8

LGSS Joint Committee

30 August 2018

Subject: LGSS 2018-19 Budget Monitoring

Actions:

- 1. Note the financial monitoring position as at 31 July 2018**
- 2. Note the capital monitoring position regarding LGSS capital projects for CCC**

Section 1 - Executive Summary

1. This report is the combined LGSS financial monitoring report consolidating the delegated budgets from the three core councils. The benefits to the councils are embedded within the budgets and a zero outturn position would mean that all benefits have been met with regard to each authority's budget proposals for 2018-19. At the end of the year the LGSS Operational outturn variance will be considered by Joint Committee for reinvestment and future commitments. In the event of a deficit and no other reserves it would be split between the core councils on the basis of net budget, as per the partnering agreement.

Revenue position

2. The forecast outturn variance on LGSS Services at the end of July is an overspend of £322k of which £168k is directly attributable to NCC. There is an anticipated underachievement of trading income of £70k. This compares to a forecast overspend of £216k on LGSS services and a -£100k trading surplus at the end of June. Further details are set out in section 2 and Appendix 1.

	Previous LGSS Net Variance £000	Full Year Budget £000	Current LGSS Net Forecast Variance £000
Total LGSS Services	216	42,768	322
Trading Account / Partnership Contingency / Budget issues to be resolved	-100	-12,584	70
Total LGSS Operational	116	30,184	392

3. The main changes since the June report are:
 - An increase of £48k forecast overspend in Finance predominantly within Accounts Payable Team from the legacy HUB team for April & May salaries.
 - A decrease in forecast overspend of £20k in HR due to reduced costs in payroll.
 - An increase of £58k within Language Services due to the risk attached in not achieving the additional income target.
 - A shortfall in trading surplus of £170k as income from a new customer will not be achieved as anticipated.
4. Actions are being taken to seek mitigation to offset the forecast overspend including: review of vacant posts to identify savings, revisiting trading targets particularly around digital and Learning and Development services, and further work on the Language Service to reduce the forecast overspend.
5. There are also pressures mentioned within the report, which will potentially result in an increased overspend position. Mitigating actions will be taken to address these pressures wherever possible.
6. Savings delivery – At this stage of the year the savings tracker is showing £378k of savings rated red, £617k rated amber and £1,925k rated green.

Reserves position

7. The balance in LGSS reserves at 31 March 2018 was £76k, an additional transfer of £648k will be made from the partnership contingency to LGSS reserves during 2018-19 as set out in the LGSS Strategic Plan.

8. Budget Reconciliation

The budgets for all 3 authorities have been reconciled to the Strategic Plan, and a summary of movements in the year to date can be seen in Appendix 4.

9. Capital Position

The capital position for CCC as at period 4 can be seen in the table below, further detail is shown in appendix 3. For NCC and MKC we do not yet have the period 4 capital data. However, work continues to clarify the position on a number of NCC projects where significant spend has been incurred in previous years to clear down old schemes and give more clarity over current LGSS managed capital spend for NCC.

Authority	Exp Budget	Forecast Total Life of Project	Over / (Under) Spend v Approved Exp
	£000	£000	£000
CCC	2,025	2,025	0

Section 2 - LGSS Operational – July 2018

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actuals £000	Full Year Forecast Variance £000
Finance Services	150	21,033	-6,096	-1,302	13,634	3,059	198
Human Resources	20	11,630	-2,228	-364	9,038	3,157	0
Business Services, Systems & Change	-40	7,989	-1,136	-491	6,362	2,420	37
Information Technology Services	-1	17,967	-1,020	-3,319	13,627	6,409	0
Managing Director & Support	87	116	-10	0	106	6	87
Total LGSS Services	216	58,735	-10,491	-5,476	42,768	15,052	322

Trading Account	-100	1,692	-14,849	0	-13,157	-1,746	70
Partnership Contingency	0	648	0	0	648	0	0
NCC Budget items to be resolved	0	-75	0	0	-75	0	0

Total LGSS Operational	116	61,000	-25,340	-5,476	30,184	29,548	392
-------------------------------	------------	---------------	----------------	---------------	---------------	---------------	------------

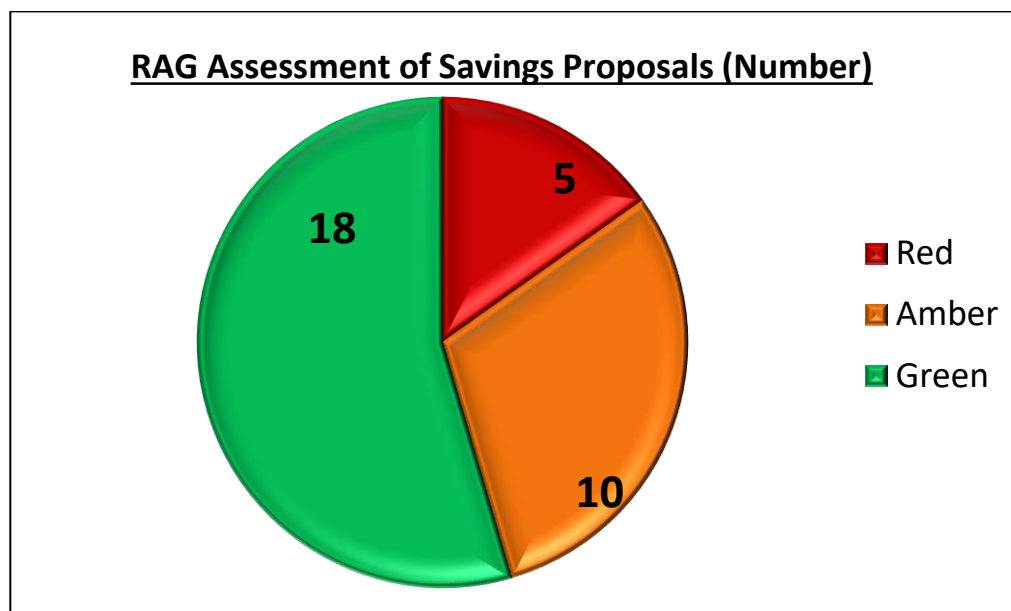
Revenue position

1. The forecast outturn variance on LGSS Services at the end of July is an overspend of £322k, of which £168k is directly attributable to NCC. There is an anticipated underachievement of trading income of £70k. Further detail and commentary on these are provided at Appendix 1 and 7.
2. The forecast overspend on Managing Director and Support reflects the additional costs of the interim managing director.

Savings delivery

3. The Budget Savings Tracker enables service managers to give a monthly update on the delivery of 2018-19 savings and benefits. A summary of this information is given at paragraph 3 below. This is monitored and reviewed on a monthly basis with LGSS Directors, the Finance Director and the Managing Director.
4. The tracker shows current savings at risk totalling £1,035k. A summary of the current RAG rating of budget proposals by Directorate is shown overleaf:

Directorate Summary of Savings Proposals	No. of proposals	Total Savings	Red	Amber	Green
Human Resources	2	189	0	0	189
Business Services, Systems and Change	7	913	58	18	837
Information Technology	7	565	170	395	0
Finance Services	6	467	90	15	362
Strategic Management	2	224	0	100	124
NCC specific savings	8	562	60	89	413
Total	32	2,920	378	617	1,925



Red = savings which are at significant risk of not being delivered in this financial year. Funding should be provided by NCC for the NCC specific ones.

Amber = savings where plans have not yet been identified for the full amount. Many will be delivered part way through the year delivering some of the savings target, and mitigating actions will be taken to offset any savings shortfall.

Green = savings expected to be fully deliverable in year.

Capital position

- The table below summarises the capital projects within LGSS for CCC, no capital data is available for NCC and MKC. LGSS projects are all fully funded from either external funding sources or by the individual authorities discretionary funding. CCC capital schemes are forecast to deliver to budget. Appendix 3 gives further detail on a scheme by scheme basis.

	Expenditure Profile	Funding Profile
Authority		External Discretionary

	Exp Budget	Prev Year's Exp	Actuals 2018- 19	Forecast 2018-19	Forecast Future Years	Total Life of Project	Over / (Under) Spend v Approved Exp			Total Funding of Project
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
CCC	2,025	1,891	0	134	0	2,025	0	0	2,025	2,025

Appendix 1

2018-19 Monitoring Detail – LGSS Operational Budgets

Finance Services Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to July £000	Full Year Forecast Variance £000
Finance Services Directorate:							
Professional Finance							
CCC	0	1,884	0	-328	1,555	572	0
MKC	0	1,922	-53	-64	1,805	473	0
NCC	0	1,277	-10	-198	1,069	523	0
LGSS Director of Finance	0	171	0	0	171	56	0
Premature Retirement Costs	0	133	0	0	133	-11	0
Financial Operations	0	3,735	-245	-65	3,425	1,247	59
Debt & Income Service	0	952	-2	-112	838	325	0
Integrated Finance Services	0	1,812	-625	-359	828	454	-10
LGSS Business Planning & Finance	0	467	0	0	457	143	0
Audit & Risk	150	2,049	-422	-175	1,452	552	150
Pensions Operations	0	4,734	-4,734	0	0	-1,702	0
Norwich	0	1,142	0	0	1,142	354	0
NBC	0	755	-5	0	750	74	0
Total	150	21,033	-6,096	-1,302	13,624	3,059	198

The Directorate is currently forecasting a pressure of £48k plus a specific pressure in Internal Audit of £150k directly attributable to NCC.

In CCC Professional Finance team there is a risk of not achieving in full the £95k savings target relating to the MKC business case where opportunities to secure savings has been limited across the team, alongside resource demands in relation to faster closedown and system implementation. At this stage £20k shortfall is anticipated and continues to be monitored.

The NCC Professional Finance team has been strengthened in year with a Deputy S151 post in line with the other LGSS partners and additional resource in Corporate Finance. This was in agreement with NCC's S151 Officer who committed to resource the additional posts. Transfer of resource is being progressed.

Finance Operations are reporting a pressure of £15k due to the interim costs of the Head of Finance Operations role and £44k in Accounts Payable due to the legacy HUB team in MKC for salaries in April & May. There is also a risk of £80k pressure in NCC MAP team from insufficient budget and no longer receiving a contribution of £35k from CCG's for processing Direct Payments which hopefully will reduce through future team turnover. A review of the impact in the outturn in addressing the backlog in Accounts Payable is still ongoing.

Debt Recovery & Income is a separate service for 2018-19, previously having been part of Financial Operations, with a recognition that investment in this service was essential to drive down current outstanding debt levels for the partner authorities. The planned efficiencies in the LGSS Strategic Plan have been delivered for 2018-19 following the restructuring earlier in the year but further work is underway given the additional senior role now in place.

Integrated Finance is currently forecasting a small underspend of £10k. There are ongoing discussions with NBC to put additional resource in to the NBC audit which KPMG has identified as high risk and are

consequently taking a more substantive approach, which has also led to additional audit costs relating to the 2016-17 audit. Schools traded income targets are challenging due to pressure on school budgets and further conversions of maintained schools to academies, this is being closely monitored.

The LGSS Business Planning & Finance team is forecasting an underspend of £44k. The Business Planning Manager role is vacant and the opportunity is being taken to review the structure and contribute towards the overall LGSS Strategic Management efficiency target.

There were savings of £150k required from Audit & Risk relating solely to NCC. The NCC Director of Finance has recognised that this saving will put the authority at risk and has agreed its removal. The accounting remains outstanding for this and that creates a reported forecast overspend. With that adjusted this budget forecasts an on budget year end.

Pensions has an efficiency sharing SLA in place with the two funds and has delivered their target efficiencies for the next three years.

Human Resources Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to July £000	Full Year Forecast Variance £000
Human Resources Directorate:							
HR Central Management	14	150	0	0	150	64	14
Policy & Strategy	-25	1,074	0	0	1,074	313	-25
Health, Safety & Wellbeing	0	741	-132	-95	514	84	0
HR Business Partners							
CCC	0	1,190	0	-97	1,093	382	0
NCC	0	925	0	0	925	198	0
MKC	0	765	0	-55	710	312	0
NCC Schools Income	0	168	-256	10	-78	-61	0
MKC Schools	0	154	-151	0	3	49	0
Learning & Development	0	3,997	-990	-18	2,989	1,229	0
Transactional Services	31	2,466	-699	-109	1,658	586	11
Total	20	11,630	-2,228	-364	9,038	3,157	0

The Directorate is currently forecasting a nil variance.

There is a pressure on Learning & Development staffing caused by a reduction in grant funding. The service are currently investigating mitigations and continuing to freeze vacant posts. There are £300k NCC specific savings within the L & D service, which will be achieved through a reduced service offering, or be borne directly by NCC.

Early indications show that there will be a shortfall in income of approximately £75k in the payroll service, as more schools convert to academies and use the payroll provider of their multi-academy trust. This is being partly offset by an underspend on staffing and the plan will be to try and absorb the remainder from the planned re shape of the service or through the reduction in payroll printing costs following the move to ERP Gold.

Business Services, Systems & Change Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to July £000	Full Year Forecast Variance £000
Business Services, Systems & Change Directorate:							
BSSC Leadership	4	159	0	0	159	55	4
Procurement	18	1,425	-159	-12	1,253	361	18
Insurance	0	449	-59	-271	120	600	0
LGSS Business Systems & Change	0	3,712	0	-145	3,567	869	0
Customer Engagement	8	387	0	0	387	129	3
Language Service	0	754	-738	-65	-49	31	58
Business Development	-30	244	-69	0	174	143	0
Democratic Support Services	-40	859	-110	2	751	234	-46
Total	-40	7,989	-1,136	-491	6,362	2,420	37

The Directorate is currently forecasting an overspend of £37k.

There is insufficient budget for the Director post, which causes an annual pressure of £4k.

An £18k pressure in Procurement due to a small delay in the planned restructure, this restructure is now in process and every effort is being made to eliminate this projected pressure by tightly controlling all expenditure.

Within Insurance, staff overtime and additional external claim handling resource are being utilised to deal with the impact of a significant increase in the volume of claims received. The impact of this is not yet known as the service are currently carrying vacancies pending a restructure. It has been agreed that any overspend in relation to the increase in claim volumes will be split between NCC, CCC and MKC.

LGSS Business Systems & Change are mitigating the cost pressure on the annual systems licences costs as the budgets in NCC and CCC were not uplifted for inflation. Additional savings of £100k have been taken this year from the LGSS Programme team within this service. The risk of not meeting this through the recharging of programme resources to individual projects is being mitigated by not filling vacant posts until future internal recharges can be secured, which will mean there may be limited resources for any future work requiring the programme team.

Customer Engagement are forecasting a £3k pressure due to a combination of agency staff to backfill vacancies, and two roles receiving acting up payments until October 2018 to support delivery of business priorities.

Language Services have an additional £58k income target to achieve this year. The Service are continuing to develop a business plan to achieve this, however, it is forecast that there is a high risk that this will not be achieved due to the changes in how the service is delivered from less face to face meetings and a shift towards more phone calls and the potential loss of one its main customers as it re-procures it's contract elsewhere. The service are completing detailed monitoring to ensure it reconciles to their internal database which will inform more accurate forecasting.

Business Development - £30k underspend due to vacant Business Development and Marketing Manager post not being filled (SM1) which will contribute towards the overall LGSS Strategic Management efficiency target.

Within DSS, the service overall is forecasting an underspend of £46k, due to vacancies in CCC and additional income from the Combined Authority and CCC Fire Service. Within NCC DSS, there is a £18k risk attached to a NCC specific saving of £51k in respect of support to NCC cabinet.

Information Technology Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to July £000	Full Year Forecast Variance £000
IT Directorate:							
Cambridgeshire County Council	0	2,216	0	-974	1,242	627	0
MKC IT	0	2,479	-1	-50	2,428	1,003	0
MKC IT Schools	0	402	-462	0	-59	105	0
Northamptonshire County Council	0	2,704	-39	-618	2,047	636	0
Norwich	0	2,508	-250	0	2,258	1,202	0
NHFT	0	3,324	-253	0	3,072	1,007	0
Strategy & Architecture	0	887	-16	-109	761	273	0
Digital Services	0	2,011	0	-1,177	834	1,123	0
Service Delivery	0	1,434	0	-391	1,043	433	0
Total	0	17,967	-1,020	-3,319	13,627	6,409	0

The Directorate is not currently forecasting any variances.

Whilst there are pressures within the budget, the service has mitigated these pressures in the previous financial year, and will continue to do so. The service is currently undertaking a zero based budgeting exercise which will provide detail regarding the cost of services, and how these budget reductions can be met sustainably.

A full review of all income sources is also underway to document the range of income sources and standardise the mechanism for collection of income across the services. This will allow for monitoring and reporting by exception the progress against income targets across the directorate.

The actuals may appear out of line, there are delays in recharges, due to new processes on ERP. This will be worked on over the next month to bring actuals up to date.

Appendix 2

2018-19 Monitoring Detail – Budgets managed by LGSS on behalf of others.

LGSS manages budgets on behalf of each authority and performance against these budgets is separately reported within each of the authority's monthly monitoring processes. As any under or overspend on these budgets are directly attributable to the individual authority, they do not form part of the partnering/sharing arrangements. However, for information purposes, the latest forecast outturn for budgets managed by LGSS on behalf of others is provided below. This information is also sent on a monthly basis to the CFO of each authority.

	Previous Forecast Variance	Gross Exp Budget	External Income Budget	Internal Income Budget	Full Year Budget	Actual to July	Full Year Forecast Variance
	£000	£000	£000	£000	£000	£000	£000
Cambridgeshire County Council:							
Insurance	0	2,139	0	0	2,139	25	0
Members Allowances	49	1,034	0	0	1,034	347	0
National Management Trainees	0	179	-8	0	172	63	41
Health & Safety Counselling	0	36	0	0	36	-16	0
Information Technology	0	4,655	-202	-1,459	2,994	1,927	0
Total	49	8,044	-210	-1,459	6,375	2,347	41
Milton Keynes Council:							
Human Resources	0	187	0	0	187	116	0
Information Technology	0	94	0	0	94	193	0
Total	0	280	0	0	280	308	0
Northampton Borough Council:							
Finance Managed	0	260	0	0	260	-217	0
Information Technology	0	0	0	0	0	-147	0
Insurance	0	754	0	26	781	0	0
NBC Managed Income	0	1,271	-2,312	0	-1,041	2,209	0
Total	0	2,285	-2,312	26	0	1,844	0
Northamptonshire County Council:							
External Audit	0	244	0	0	244	89	0
Social Care	45	0	-45	0	-45	1,903	45
Occupational Health	0	365	0	0	365	49	0
Information Technology	0	3,388	0	0	3,388	2,964	0
Democratic Services	-121	954	0	0	954	241	-81
Total	-76	4,951	-45	0	4,906	5,245	-36

Cambridgeshire County Council

There is a forecast overspend in National Management Trainees. This is due to the service needing new employees and not having the full budget to cover the costs.

Milton Keynes Council

There are no reported variances on the budgets managed by LGSS on behalf of MKC

Northampton Borough Council

There are no reported variances on the budgets managed by LGSS on behalf of NBC

Northamptonshire County Council

There is a forecast overspend of £45k on the Social Care direct payments budgets. This is due to there being an unachievable income target on this service. The nature of this service is that all payments out are recovered so there is no way of generating this income.

In IT, £221k of the £361k savings have been achieved. The remaining £140k will be achieved from contract renewals with negotiations to drive down costs. These contract are not up for renewal until September 2018, so there is some risk with regard to this saving.

There is a forecast underspend of £81k within Democratic Services due to lower level of expenditure for Councillor allowances and training due to changes in political leadership totalling £101k and £20k one off benefit from outstanding purchase orders which weren't closed in the previous financial year. DSS is also looking to recruit a new post within LGSS Democratic Services Team, £40k. This is still currently going through approval but has been forecasted as it has received CEAP approval.

No capital monitoring data has been received for period 4 from either NCC or MKC.

The table below shows the capital position as at the end of July for CCC.

CCC	Expenditure Profile							Funding Profile		
All Figures in £000's Scheme Name	ENo xp Budget	Prev Year's Exp	Actuals 2018- 19	Forecast 2018-19	Forecast Future Years	Total Life of Project	Over/ (Under) Spend v Approved Exp	External	Discretionary	Total Funding of Project
Next Generation ERP*	2,025	1,891	0	134	0	2,025	0	0	2,025	2,025
Total	2,025	1,891	0	134	0	2,025	0	0	2,025	2,025

- Next Generation ERP - final payment due in 18/19

Appendix 4 – 2018-19 Budget Reconciliation

The below table shows how the 2018-19 LGSS budget has changed throughout the year, in relation to the budgets reported in the strategic plan.

	CCC £000	NCC £000	MKC £000	Total £000
Net budget as per Strategic Plan	8,871	10,636	8,784	28,292
<u>Movements</u>				
Health & Safety staff counselling moved to CCC Managed	-36			-36
Corporate legal budgets returned to CCC/NCC	-102	-90		-192
LGSS Law dividend/retained earnings income target returned to CCC/NCC	102	102		204
Removal of OCS income target		1,755		1,755
MKC Pay Inflation 2% (excluding R&B)			161	161
Budget as at 31st July	8,835	12,403	8,945	30,184