

**LGSS Joint Committee**

**25 February 2016**

**Subject: LGSS 2015-16 Budget Monitoring**

**Paper presented by: Matt Bowmer**

**Actions:**

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

## 1. Summary Financial Position

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

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 £750k on the Smoothing Reserve for carry forward approval to 2016-17.

Previous reports have highlighted the risk of the cost of LGSS redundancies in 2015-16 exceeding the balance on the redundancy reserve, (see Appendix 3). At the same time Directors had been asked to manage, or absorb, redundancy costs within their services in the first instance. Directors have now been able to confirm that the total, (in the order of £300k), can be fully absorbed and it is therefore proposed that the £120k redundancy reserve be rolled forward to 2016-17.

## 2015-16 Budget Monitoring – December 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
<b>LGSS Operational</b>						
Trading Account	811	2,118	-24,088	-185	-22,155	747
Service Assurance	-10	778	0	-16	762	-39
Finance	-323	19,910	-7,458	-1,786	10,665	-342
People, Transformation and Transactions	-400	23,304	-1,777	-1,203	20,324	-460
Information Technology	50	15,376	-39	-2,449	12,888	50
Law, Procurement and Governance	47	3,547	-961	-624	1,962	47
<b>Total LGSS</b>	<b>175</b>	<b>65,033</b>	<b>-34,323</b>	<b>-6,263</b>	<b>24,447</b>	<b>3</b>

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).

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).

	<b>Previous Forecast Variance £000</b>	<b>Gross Exp Budget £000</b>	<b>External Income Budget £000</b>	<b>Internal Income Budget £000</b>	<b>Full Year Budget £000</b>	<b>Full Year Forecast Variance £000</b>
<b>Managed by LGSS on behalf of NCC:</b>						
Finance	-107	7,005	-629	-50	6,325	-107
People, Transformation and Transactions	-300	1,155	-205	0	950	-438
Information Technology	100	3,989	0	-46	3,943	100
Law, Procurement and Governance	-200	1,303	0	0	1,303	-200
<b>Total NCC Managed</b>	<b>-507</b>	<b>13,452</b>	<b>-834</b>	<b>-96</b>	<b>12,521</b>	<b>-645</b>
<b>Managed by LGSS on behalf of NBC:</b>						
Finance	0	220	0	0	220	0
People, Transformation and Transactions	0	129	0	0	129	-38
Information Technology	0	1,271	0	0	1,271	0
Law, Procurement and Governance	0	794	0	26	820	0
<b>Total NBC Managed</b>	<b>0</b>	<b>2,414</b>	<b>0</b>	<b>26</b>	<b>2,440</b>	<b>-38</b>
<b>Managed by LGSS on behalf of CCC:</b>						
Finance	864	10,211	-4,862	-557	4,792	818
Information Technology	-321	4,100	0	-1,884	2,216	-421
Law, Procurement and Governance	-14	2,488	-5	0	2,483	-14
<b>Total CCC Managed</b>	<b>529</b>	<b>16,799</b>	<b>-4,867</b>	<b>-2,441</b>	<b>9,491</b>	<b>382</b>

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**

	<b>Previous Forecast Variance £000</b>	<b>Budget to Dec £000</b>	<b>Actual to Dec £000</b>	<b>Variance to Dec £000</b>	<b>Full Year Budget £000</b>	<b>Full Year Forecast Variance £000</b>
<b>Total Finance Directorate:</b>						
Finance	-123	4,793	4,736	-57	5,816	-123
Audit and Risk Management	-120	752	648	-104	1,021	-120
Property Services	0	2,132	2,412	280	2,447	0
Strategic Assets	-80	1,280	1,049	-231	1,753	-99
Pensions Operations	0	2,333	1,914	-419	-372	0
<b>Total Finance Directorate</b>	<b>-323</b>	<b>11,290</b>	<b>10,759</b>	<b>-531</b>	<b>10,665</b>	<b>-342</b>

The Directorate is forecasting a £342k underspend which is an increase of £19k from last month.

Finance is currently forecasting a £123k underspend. This is due to a forecast underspend of £107k on the CIPFA Trainee budget in the Cambridge office due to trainees taking up posts in other teams within LGSS. There is also a net £54k underspend forecast due to vacancies and changes following the Finance team restructure and additional income generated from a secondment to East Cambs., and a £22k underspend forecast in the Schools Finance team. These underspends are 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 of £120k is still forecast. Additionally, it is anticipated that there will be an unspent balance on the DCLG CounterFraud Fund allocation at the end of 2015-16, and this will be carried forward to 2016-17.

Strategic Assets is currently forecasting an £99k 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 (£59k). 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 Dec £000	Actual to Dec £000	Variance to Dec £000	Full Year Budget £000	Full Year Forecast Variance £000
<b>Total P,T&amp;T Directorate:</b>						
PTT Central Management	0	564	560	-4	781	0
Policy & Strategy	-200	1,157	786	-371	1,392	-200
HR Business Partners	-100	1,847	1,346	-501	2,129	-160
Organisation Development	0	2,123	1,084	-1,039	1,723	0
Business Transformation Team	0	980	647	-333	972	0
Transactional Services	-200	4,127	3,385	-742	4,403	-200
Revenue and Benefits	0	4,303	4,407	104	5,237	0
LGSS Programme Team	100	2,857	3,435	578	3,687	100
<b>Total P,T&amp;T Directorate</b>	<b>-400</b>	<b>17,958</b>	<b>15,650</b>	<b>-2,308</b>	<b>20,324</b>	<b>-460</b>

The Directorate is forecasting a £460k underspend which is an increase of £60k from last month.

Policy and Strategy are forecasting an in-year underspend of £200k due to delays in recruitment to the Workforce Planning and Strategy team.

There is an underspend of £160k on HR Business Partners due to vacancies and 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 Dec £000	Actual to Dec £000	Variance to Dec £000	Full Year Budget £000	Full Year Forecast Variance £000
<b>Operations:</b>						
Northamptonshire County Council	50	2,432	2,617	185	3,243	50
Cambridgeshire County Council	0	1,519	1,540	21	1,308	0
Norwich	0	2,049	2,575	526	2,980	0
NHFT	0	2,621	2,548	-73	3,495	0
Strategy & Architecture	0	835	922	87	899	0
Service Delivery	0	875	965	90	963	0
<b>Total Information Technology Directorate</b>	<b>50</b>	<b>7,710</b>	<b>11,167</b>	<b>3,457</b>	<b>12,888</b>	<b>50</b>

The Directorate is forecasting a £50k overspend which is no change from last month.

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 pressure this year with regard to the additional savings target of £75k allocated ahead of the IT service review, which has been offset this year by additional recharges to capital for work carried out by IT.

## Law, Procurement and Governance Directorate

	Previous Forecast Variance £000	Budget to Dec £000	Actual to Dec £000	Variance to Dec £000	Full Year Budget £000	Full Year Forecast Variance £000
<b>Total Law, Procurement and Governance Directorate:</b>						
<b>LGSS Law Ltd</b>						
Dividend Target	104	-527	2,015	2,542	-536	104
Overhead income target	0	0	0	0	-170	0
LPG Directorate	100	0	0	0	45	100
NBC Legal Budget	0	380	110	-270	506	0
CCC Corporate Legal Budget	-40	68	28	-40	102	-40
Procurement	-13	1,003	1,043	40	1,023	-13
Democratic Support Services	-104	759	608	-151	992	-104
<b>Total Law, Procurement and Governance Directorate</b>	<b>47</b>	<b>1,683</b>	<b>3,804</b>	<b>2,121</b>	<b>1,962</b>	<b>47</b>

The Directorate is forecasting an overspend of £47k which is no change 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.

	2015-16 (previous month)	2015-16 (current forecast)
<b>LGSS Law Ltd - Projected Summary Profit &amp; Loss</b>	<b>£000</b>	<b>£000</b>
<b>Income</b>		
Cambridgeshire CC	1,704	1,704
Northamptonshire CC	2,422	2,422
Northampton BC	506	506
Other	486	486
<b>Total Income</b>	<b>5,118</b>	<b>5,118</b>
Expenditure	4,686	4,686
<b>Profit/Surplus (after tax)</b>	<b>-432</b>	<b>-432</b>

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 recovered from clients.

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

Procurement is currently forecasting a net underspend of £13k due to in-year vacancies.



Democratic Support Services is forecasting an underspend of £104k 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, (£64k).

### Service Assurance, Customers and Strategy

	Previous Forecast Variance £000	Budget to Dec £000	Actual to Dec £000	Variance to Dec £000	Full Year Budget £000	Full Year Forecast Variance £000
<b>Total Service Assurance, Customers and Strategy Directorate:</b>						
Service Assurance & Customer Engagement	0	389	350	-39	518	-31
Leadership Support & Governance	-10	123	69	-54	149	-8
Communications & Marketing	0	71	67	-4	95	0
<b>Total Service Assurance Directorate</b>	<b>-10</b>	<b>583</b>	<b>486</b>	<b>-97</b>	<b>762</b>	<b>-39</b>

Service Assurance is reporting a £39k underspend which is an increase of £29k from last month.

There are currently a number of vacancies which are being covered by temporary members of staff. It is expected that all roles will be recruited to by the end of the financial 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 Dec £000	Actual to Dec £000	Variance to Dec £000	Full Year Budget £000	Full Year Forecast Variance £000
<b>Northamptonshire County Council:</b>						
Property Services	0	2,366	1,987	-379	3,615	0
Strategic Assets	-43	1,890	2,108	218	2,466	-43
Finance	-64	183	24	-159	244	-64
Policy and Strategy	0	277	154	-123	370	-138
Organisation Development	-300	38	-244	-282	580	-300
Information Technology	100	3,782	4,155	373	3,942	100
Democratic Services	100	978	1,104	126	1,303	100
Catering	0	1	8	7	1	0
Procurement	-300	0	-234	-234	0	-300
<b>Total</b>	<b>-507</b>	<b>9,515</b>	<b>9,062</b>	<b>-453</b>	<b>12,521</b>	<b>-645</b>
<b>Northampton Borough Council:</b>						
Finance	0	165	41	-124	220	0
Policy and Strategy	0	96	81	-15	129	-38
Information Technology	0	954	771	-183	1,271	0
Insurance	0	616	693	77	820	0
<b>Total</b>	<b>0</b>	<b>1,831</b>	<b>1,586</b>	<b>-245</b>	<b>2,440</b>	<b>-38</b>
<b>Cambridgeshire County Council:</b>						
Insurance	0	0	-4	-4	1,483	0
Property Services	1,023	5,427	5,878	451	6,642	1,019
External Audit	0	134	171	37	179	0
Strategic Assets	-158	-1,494	-2,014	-520	-3,052	-200
Members Allowances	-14	735	697	-38	1,000	-14
Finance	-2	80	225	145	1,023	-2
Information Technology	-321	3,084	2,848	-236	2,216	-421
<b>Total</b>	<b>528</b>	<b>7,966</b>	<b>7,801</b>	<b>-165</b>	<b>9,491</b>	<b>382</b>

#### Northamptonshire County Council

There is a forecast underspend of £645k on the budgets managed by LGSS on behalf of Northamptonshire.

In Property Services there is a potential underspend of £33k on utility costs. However, due to other potential budget pressures, a nil variance is currently forecast.

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 £90k slippage on this year's leverage of assets target in terms of permanent savings, although this will be mitigated in-year. Strategic Assets is also 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 £64k underspend forecast on External Audit fees based on current estimates.

Policy and Strategy are forecasting an underspend of £138k. This is partly as a result of the anticipated increase in spend due to the Medigold contract renewal not occurring as negotiations have been delayed until March and an underspend of £95k is forecast. A further £43k underspend is forecast on the budget allocated for external consultants to undertake Health and Safety audit work in schools. This will now be managed internally following re-organisation of the Health and Safety teams across NCC and CCC.

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. The current position is overspent due to recharges to capital and external invoicing to be carried out.

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

#### **Northampton Borough Council**

There is a forecast underspend of £38k on the budgets managed by LGSS on behalf of Northampton Borough Council. This underspend is a result of the Firstcare contract ending.

#### **Cambridgeshire County Council**

There is a forecast overspend of £382k on the budgets managed by LGSS on behalf of Cambridgeshire.

Property Services is forecasting an overspend of £1,019k, a decrease of £4k 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 late January. The additional income predicted in 2015/16 has therefore been reduced pro rata from £281k to £112k. It is expected that there will also be a subsequent reduction of around £30k in the rate rebate achieved. Building Maintenance is forecasting an overspend of £71k. As previously reported, this is due to a shortfall of £121k on the amount accrued in the 2014-15 accounts compared to invoices paid in respect of these accrued costs. This pressure has been reduced by £50k, being offset by estimated costs of £30k to be charged to capital, £15k income from Caretaker housing, and £5k of the 2014-15 costs which have now been re-assessed as relating to the 2015-16 financial year. County Offices is forecasting an overspend of £948k, an increase of £46k from the figure reported last month. A rent review is currently being negotiated for Babbage House and it is estimated that this will result in an increase of £47k in 2015-16 (£71.5k per annum).

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 £550k, a reduction of around £50k from the previous estimate. Of this amount, £400k is the estimated liability for prior years billing and £150k 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. Officers are undertaking further work to verify the amount of the outstanding liability for bills not yet 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 £195k, 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

A £14k 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.

An underspend of £421k is being reported on the IT Managed budgets. To contribute towards recovery of the overall LGSS Managed overspend the balance on the IT Asset Replacement fund (£475k) will be written back to revenue. 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		0
Finance	Strategic Assets	Asset Management Database	142	0	142		-36	-106		0
Finance	Pensions	IT systems	100	0	100			-100		0
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		0
SAC & S	Service Assurance & Customer Engagement	Think as One, Deliver as One	22	0	22			-22		0
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
<b>Total</b>			<b>1,233</b>	<b>772</b>	<b>2,005</b>		<b>-136</b>	<b>-939</b>	<b>0</b>	<b>930</b>

\* 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.