

**LGSS Joint Committee**

**12 July 2018**

**Subject: LGSS 2018-19 Budget Monitoring – May 2018**

**Actions:**

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

## **Section 1 - Executive Summary**

1. The 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 May is an overspend on LGSS services of £83k, and an overachievement on trading income of £100k leaving a net underspend of £17k. This compares to a forecast overspend of £87k on LGSS services and a £57k pressure on the trading income target at the end of April. Further details are set out in section 2 and Appendix 1.

	<b>Previous LGSS Net Variance £000</b>	<b>Full Year Budget £000</b>	<b>Current LGSS Net Forecast Variance £000</b>
<b>Total LGSS Services</b>	<b>87</b>	<b>43,249</b>	<b>83</b>
Trading Account / Partnership Contingency / Budget issues to be resolved	57	-14,981	-100
<b>Total LGSS Operational</b>	<b>144</b>	<b>28,268</b>	<b>-17</b>

3. The main changes since the April report are:
  - The removal of the LGSS Law Ltd dividend/retained earnings budgets from this report. It was decided that due to the shareholder arrangement this should be reported directly in NCC/CCC. There was a £157k pressure on this budget.
  - In addition to the above, the NCC and CCC corporate legal budgets have also been removed from the report this month and will report directly to the retained authorities. There was no forecast variance against these.
  - A forecast underspend of £34k in Democratic Services, from a previously reported overspend position of £87k. The change in forecast is largely due to vacancies in CCC.
4. It should be noted that whilst the current position reflects an underspend, there are considerable pressures mentioned within the report, which will potentially result in an overspend position. Mitigating actions will be taken to address these pressures wherever possible.
5. Savings delivery – At this stage of the year the savings tracker is showing £195k of savings rated red, £1,025k rated amber and £1,700k rated green. These are broken down between LGSS and NCC specific savings in Section 2.
6. The actuals to date include some, but not all, accruals from the previous year, as these are yet to be posted in ERP Gold.

### *Reserves position*

7. The balance in LGSS reserves at 31 March 2018 was £76k, an additional transfer 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

A summary of the capital position for NCC and CCC at the end of May can be seen in the table below, further detail is shown in appendix 3. MKC did not complete any capital monitoring for May.

<b>Authority</b>	<b>Total Life of Project Exp Budget £000</b>	<b>Forecast Total Life of Project £000</b>	<b>Over / (Under) Spend v Approved Exp £000</b>
NCC	21,647	22,127	480
CCC	2,025	2,025	0
<b>TOTAL</b>	<b>23,672</b>	<b>24,152</b>	<b>480</b>

## Section 2 - LGSS Operational – May 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	0	20,132	-6,096	-470	13,566	-2,610	0
Human Resources	0	11,247	-2,228	-8	9,011	825	0
Business Services, Systems & Change	87	7,567	-1,009	-160	6,398	698	4
Information Technology Services	0	16,800	-1,020	-1,612	14,168	2,203	0
Managing Director & Support	0	116	-10	0	106	-17	79
<b>Total LGSS Services</b>	<b>87</b>	<b>55,863</b>	<b>-10,364</b>	<b>-2,251</b>	<b>43,249</b>	<b>1,098</b>	<b>83</b>

Trading Account	57	1,156	-16,633	0	-15,477	-701	-100
Partnership Contingency	0	571	0	0	571	0	0
NCC Budget items to be resolved	0	-75	0	0	-75	0	0

<b>Total LGSS Operational</b>	<b>144</b>	<b>57,515</b>	<b>-26,996</b>	<b>-2,251</b>	<b>28,268</b>	<b>397</b>	<b>-17</b>
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### *Revenue position*

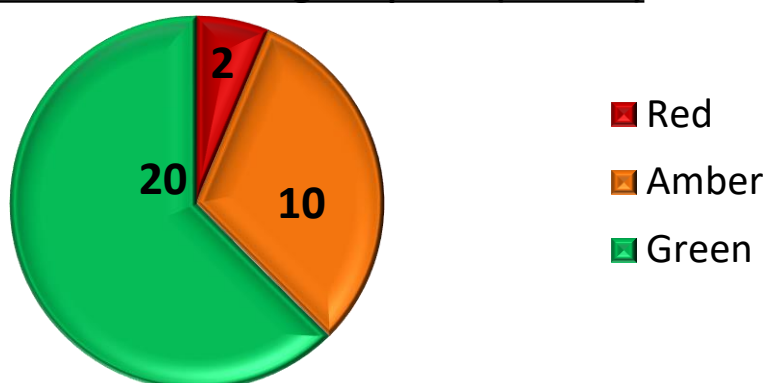
1. The forecast outturn variance on LGSS Services at the end of May is an overspend of £83k, and an overachievement of trading income of £100k resulting in an overall underspend of £17k. Further detail and commentary on these are provided at Appendix 1 and 7.
2. The forecast overspend on Managing Director 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 £155k relating to audit savings specific to NCC. A summary of the current RAG rating of budget proposals by Directorate is shown below:

Directorate Summary of Savings Proposals	Summary Proposal By Value and Directorate: LGSS savings				
	No. of proposals	Total Savings	Red	Amber	Green
Human Resources	2	189	0	0	189
Business Services, Systems and Change	7	913	0	133	780
Information Technology	7	565	0	225	340
Finance Services	6	467	135	142	190
Strategic Management	2	224	0	174	50
NCC specific savings	8	562	60	351	151
<b>Total</b>	<b>32</b>	<b>2,920</b>	<b>195</b>	<b>1,025</b>	<b>1,700</b>

### RAG Assessment of Savings Proposals (Number)



**Red** = savings which are at significant risk of not being delivered in this financial year. Funding should be provided by NCC to cover these.

**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 NCC and CCC, no capital monitoring was completed in MKC for period 2. LGSS projects are all fully funded from either external funding sources or by the individual authorities discretionary funding. There is a forecast overspend of £480k on capital with the majority of this being due to Project Angel and Next Generation ERP. Appendix 3 gives further detail on a scheme by scheme basis.

Authority	Expenditure Profile							Funding Profile		
	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	External	Discretionary	Total Funding of Project
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
NCC	21,647	20,949	-640	901	917	22,127	480	753	20,894	21,647
CCC	2,025	1,891	0	134	0	2,025	0	0	2,025	2,025
<b>TOTAL</b>	<b>23,672</b>	<b>22,840</b>	<b>-640</b>	<b>1,035</b>	<b>917</b>	<b>24,152</b>	<b>480</b>	<b>753</b>	<b>22,919</b>	<b>23,672</b>

## **Appendix 1**

### **2018-19 Monitoring Detail – LGSS Operational Budgets**

#### **Finance Services Directorate**

	<b>Previous Forecast Variance</b>	<b>Gross Exp Budget</b>	<b>External Income Budget</b>	<b>Internal Income Budget</b>	<b>Full Year Budget</b>	<b>Actual to May</b>	<b>Full Year Forecast Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Finance Services Directorate:</b>							
Professional Finance							
CCC	0	1,555	0	0	1,555	148	0
MKC	0	1,820	-53	0	1,767	289	0
NCC	0	1,079	-10	0	1,069	137	0
LGSS Director of Finance	0	171	0	0	171	14	0
Premature Retirement Costs	0	133	0	0	133	0	0
Financial Operations	0	3,731	-245	-50	3,436	550	0
Debt & Income Service	0	886	-2	-65	819	32	0
Integrated Finance Services	0	1,700	-625	-253	822	70	0
LGSS Business Planning & Finance	0	467	0	0	467	38	0
Audit & Risk	0	1,959	-422	-102	1,434	195	0
Pensions Operations	0	4,734	-4,734	0	0	-4,159	0
Norwich	0	1,142	0	0	1,142	77	0
NBC	0	755	-5	0	750	0	0
<b>Total</b>	<b>0</b>	<b>20,132</b>	<b>-6,096</b>	<b>-470</b>	<b>13,566</b>	<b>-2,610</b>	<b>0</b>

The Directorate is currently forecasting a nil variance albeit there are a number of potential pressures as outlined below.

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.

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 debt outstanding 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 to deliver to budget. 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.

Similarly OBC savings have been delivered in Finance Operations. However, there is a backlog in Accounts Payable processing at this current time and work is underway to assess the impact of this on the outturn position.

The LGSS Business Planning & Finance team is forecast to come in on budget. 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 are savings to be delivered in Audit & Risk of £150k relating solely to NCC. The NCC Director of Finance has recognised that this saving will potentially put the authority at risk and has asked for the audit plan to be prepared without the reduced numbers of days that this saving would require. Discussions are on-going regarding funding for this/removing the saving.

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

### **Human Resources Directorate**

	<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>Actual to May £000</b>	<b>Full Year Forecast Variance £000</b>
<b>Human Resources Directorate:</b>							
HR Central Management	0	150	0	0	150	22	0
Policy & Strategy	0	1,416	-53	0	1,364	142	0
Health, Safety & Wellbeing	0	298	-79	0	219	-11	0
HR Business Partners							
CCC	0	1,093	0	0	1,093	96	0
NCC	0	925	0	0	925	75	0
MKC	0	695	0	0	695	150	0
NCC Schools Income	0	168	-256	10	-78	0	0
MKC Schools	0	151	-151	0	0	25	0
Learning & Development	0	3,997	-990	-18	2,989	274	0
Transactional Services	0	2,353	-699	0	1,654	53	0
<b>Total</b>	<b>0</b>	<b>11,247</b>	<b>-2,228</b>	<b>-8</b>	<b>9,011</b>	<b>825</b>	<b>0</b>

The Directorate is currently forecasting a nil variance.

There may be a pressure on the staffing budget in the Learning & Development service ( L&D), due to a reduction in grant funding, the service are currently investigating mitigations. 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 shortfall will be absorbed as part of the further efficiencies found from the planned re shape of the service in July.

The CCC Health & Safety Counselling budget has moved to CCC Managed this month in order to reflect the setup of the other two partner authorities.

## **Business Services, Systems & Change Directorate**

	<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>Actual to May £000</b>	<b>Full Year Forecast Variance £000</b>
<b>Business Services, Systems &amp; Change Directorate:</b>							
BSSC Leadership	4	159	0	0	159	14	4
Procurement	0	1,405	-159	0	1,246	84	35
Insurance	0	177	-59	0	118	330	0
LGSS Business Systems & Change	0	3,724	0	-160	3,564	212	0
Customer Engagement	0	387	0	0	387	28	0
Language Service	0	679	-680	0	-2	-25	0
Business Development	0	174	0	0	174	12	0
Democratic Support Services	83	861	-110	0	751	43	-34
<b>Total</b>	<b>87</b>	<b>7,567</b>	<b>-1,009</b>	<b>-160</b>	<b>6,398</b>	<b>698</b>	<b>4</b>

The Directorate is currently forecasting an overspend of £4k.

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

A pressure has been reported of £35k against the £75k savings target in Procurement relating to the MKC team restructure which has been delayed and is being presented to CLT in May'18. There is also additional work being carried out across four large projects which potentially may cause a pressure if they all happen at the same time.

The increase in volume of claims undertaken by the Insurance Team previously highlighted is likely to present a pressure on the budget but this has not been reported but continues to be monitored.

LGSS Business Systems & Change have identified a potential issue regarding the annual systems licences costs as the budgets in NCC and CCC were not uplifted for inflation, this may therefore result in an £11k pressure. Additional savings have been taken from the LGSS Programme team service this year of £100k. This saving will be met by not filling 2 posts, which will mean there will be limited resources for any future work requiring the programme team.

Language Services have an additional £58k income target to achieve this year, and it is estimated at this stage, that £10k of this target is likely to be achieved. This area will be further assessed before any shortfall is reported.

The DSS MKC service has transferred back to MKC, the savings that were in the business case for this service, can no longer be achieved and as such also will be transferred back to MKC (£40k). There is a £25k pressure within DSS NCC, due to the delay in restructuring Cabinet Support. There is also £10k additional budget still expected to be received from NCC, to cover the increased costs associated with the delivery of schools admission appeals on behalf of NCC. A forecast underspend of £59k due to vacancies in CCC, is mitigating this overall position providing an overall forecast underspend of £34k for the service.



## 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 May £000	Full Year Forecast Variance £000
<b>IT Directorate:</b>							
Cambridgeshire County Council	0	1,366	0	-24	1,342	-9	0
MKC IT	0	2,391	-1	0	2,391	352	0
MKC IT Schools	0	396	-462	0	-66	-53	0
Northamptonshire County Council	0	3,188	-39	-618	2,531	147	0
Norwich	0	2,508	-250	0	2,258	642	0
NHFT	0	3,324	-253	0	3,072	392	0
Strategy & Architecture	0	871	-16	-93	761	50	0
Digital Services	0	1,443	0	-609	834	618	0
Service Delivery	0	1,312	0	-269	1,043	63	0
<b>Total</b>	<b>0</b>	<b>16,800</b>	<b>-1,020</b>	<b>-1,612</b>	<b>14,168</b>	<b>2,203</b>	<b>0</b>

The Directorate is not currently forecasting any variances.

There are however several pressures within the Directorate, the table below provides the detail of these issues.

IT Budget Issues 2018-19	£k
<b>Savings Targets Not Sustainable Met</b>	
Historical LGSS Strategic Plan	-240
MKC PDA	
Savings 16-17 - 18-19	-483
Savings offset	202
Savings achieved to date	98
Balance of MKC savings still to be met	-183
NCC specific	-71
Digital Services additional income target surplus	-50
<b>Total</b>	<b>-544</b>
<b>Pressures</b>	
NoCC Head of Service	-100
Vacancy Factor	-123
Unsustainable capitalisation target	-172
	<b>-395</b>
<b>Total LGSS Operational</b>	<b>-939</b>
NCC managed IT savings*	-140
<b>Total inc managed savings</b>	<b>-1,079</b>

\* Planned to be delivered from contract re negotiation in Sept '18

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 sustainable.

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.

	<b>Previous Forecast Variance</b>	<b>Gross Exp Budget</b>	<b>External Income Budget</b>	<b>Internal Income Budget</b>	<b>Full Year Budget</b>	<b>Actual to May</b>	<b>Full Year Forecast Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cambridgeshire County Council:</b>							
Insurance	0	2,139	0	0	2,139	17	0
Members Allowances	0	1,034	0	0	1,034	173	0
National Management Trainees	0	179	-8	0	172	4	49
Health & Safety Counselling		36	0	0	36	0	0
Information Technology	0	4,655	-202	-1,459	2,994	1,202	0
<b>Total</b>	<b>0</b>	<b>8,043</b>	<b>-210</b>	<b>-1,459</b>	<b>6,375</b>	<b>1,396</b>	<b>49</b>
<b>Milton Keynes Council:</b>							
Human Resources	0	184	0	0	184	75	0
Information Technology	0	79	0	0	79	-2	-19
<b>Total</b>	<b>0</b>	<b>262</b>	<b>0</b>	<b>0</b>	<b>262</b>	<b>74</b>	<b>-19</b>
<b>Northampton Borough Council:</b>							
Finance Managed	0	260	0	0	260	-200	0
Information Technology	0	1,271	0	0	1,271	-101	0
Insurance	0	754	0	26	781	0	0
NBC Managed Income	0	0	-2,312	0	-2,312	0	0
<b>Total</b>	<b>0</b>	<b>2,285</b>	<b>-2,312</b>	<b>26</b>	<b>0</b>	<b>-301</b>	<b>0</b>
<b>Northamptonshire County Council:</b>							
External Audit	0	244	0	0	244	-35	0
Social Care	45	0	-45	0	-45	1,948	45
Occupational Health	0	365	0	0	365	15	0
Information Technology	0	3,388	0	0	3,388	1,169	0
Democratic Services	-73	954	0	0	954	90	-73
<b>Total</b>	<b>-28</b>	<b>4,951</b>	<b>-45</b>	<b>0</b>	<b>4,906</b>	<b>3,188</b>	<b>-28</b>

#### **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 is a forecast underspend in MKC, this is due to a decrease in computer hardware leasing costs.

### **Northampton Borough Council**

There are no variances forecast.

### **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.

£221k of the £361k of IT managed budget 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 an underspend forecast on Democratic Services due to a decrease in Councillor training anticipated (£10k), £10k forecast reduction in general expenditure and £53k anticipated reduction in Councillor expenses due to the change in political leadership.

### Appendix 3 LGSS Capital Budget Monitoring – May 2018

NCC	Expenditure Profile							Funding Profile		
All Figures in £000's Scheme Name	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	External	Discretionary	Total Funding of Project
Project Angel & NGW IT	5,500	5,651	14	0	0	5,665	165	0	5,500	5,500
Microsoft ESA & ECI 2014-17	1,525	1,266	0	0	259	1,525	0	0	1,525	1,525
Next Generation ERP*	2,024	2,079	205	0	0	2,284	260	100	1,924	2,024
Date Centre Refurbishment	994	1009	-7	0	0	1,002	8	94	900	994
Civica ICON #	267	267	-1	0	1	267	0	0	267	267
Next Generation / Model Office	383	181	30	0	172	383	0	0	383	383
Other Schemes less than £200k *	10,954	10,496	-881	901	485	11,001	47	559	10,395	10,954
<b>Total</b>	<b>21,647</b>	<b>20,949</b>	<b>-640</b>	<b>901</b>	<b>917</b>	<b>22,127</b>	<b>480</b>	<b>753</b>	<b>20,894</b>	<b>21,647</b>

- There was no engagement requested from the NCC budget managers during this monitoring window. Therefore it has been assumed that the projects are to budget unless there is already an overspend.
- \* Of other schemes less than £200k most of the spend has been incurred in previous years. The total budget for these schemes in 2018-19 is £660k.

CCC	Expenditure Profile							Funding Profile		
All Figures in £000's Scheme Name	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	External	Discretionary	Total Funding of Project
Next Generation ERP*	2,025	1,891	0	134	0	2,025	0	0	2,025	2,025
<b>Total</b>	<b>2,025</b>	<b>1,891</b>	<b>0</b>	<b>134</b>	<b>0</b>	<b>2,025</b>	<b>0</b>	<b>0</b>	<b>2,025</b>	<b>2,025</b>

- 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
<b><u>Movements</u></b>				
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
<b>Budget as at 31st May</b>	<b>8,835</b>	<b>10,648</b>	<b>8,784</b>	<b>28,268</b>