

From: **Nick Dawe (prepared by Neil Goryn)**

Tel.: **01223 699236 / 01223 699816**

Date: **14th February 2011**

To: **LGSS Management Board
LGSS Joint Committee**

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**LOCAL GOVERNMENT SHARED SERVICE FINANCE AND PERFORMANCE REPORT,
DECEMBER 2010**

December 2010

1.0 SUMMARY

1.1 Finance

Previous Status	Measure	Target	Current Status	Section Ref.
N/A	Revenue Position – Income & Expenditure	Balanced year-end position	Orange	
N/A	Benefits Realisation	Achieve targets set in business case / IP / MTP	Green	
N/A	Investment Programme	On track - Progress against timelines	Green	
N/A	Capital Programme	On track - Progress against timelines	N/A	

1.2 Performance Indicators – Predicted Status at year end:

Measure	Red	Amber	Green	No Status	Total
Overall LGSS performance	-	-	-	-	-
Finance & Procurement	-	-	-	-	-
Human Resources & Organisational Design	-	-	-	-	-
Operations	-	-	-	-	-
Legal	-	-	-	-	-

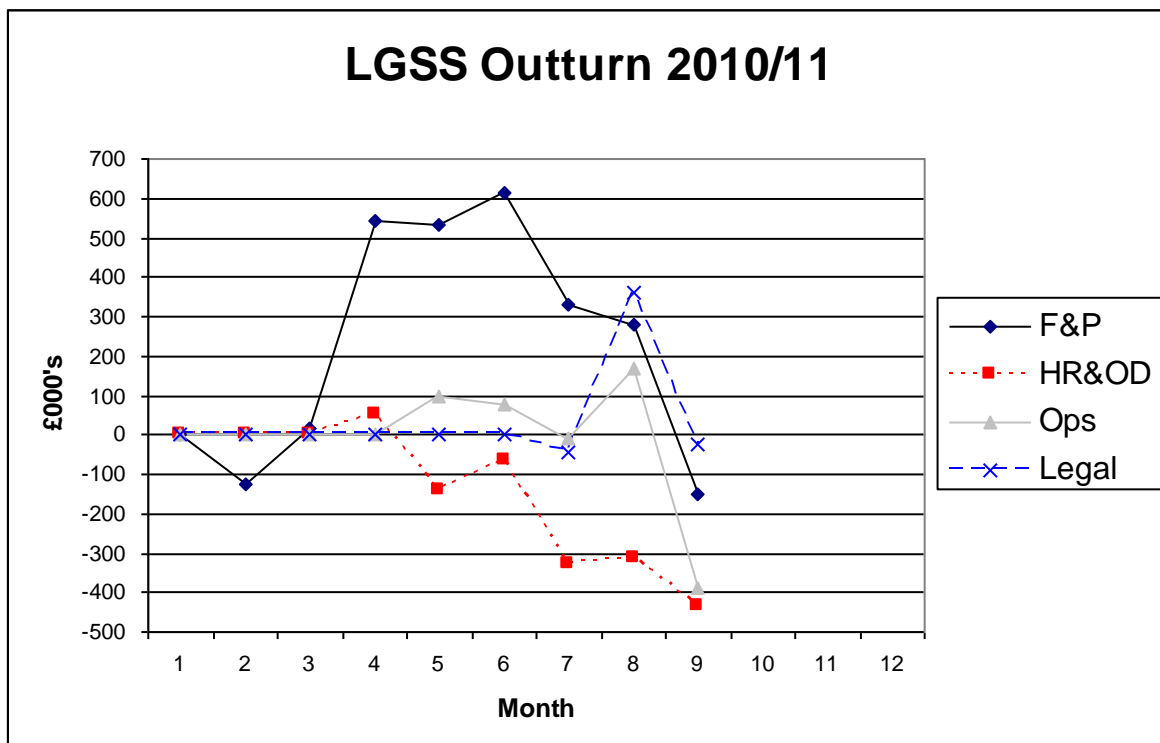
Matching performance indicators are to be developed as part of the Service Planning workstream.

2.0 REVENUE POSITION – INCOME & EXPENDITURE

2.1 Overall Position

Nov 10 Outturn		Service	Budget for		Expected to		Actual to		Forecast	
Forecast			2010-11	Dec-10	Dec-10	Dec-10	Variance	Outturn		
£000	%		£000	£000	£000	£000	£000	£000	£000	%
<u>Finance & Procurement</u>										
27	1%	Cambridge Office	3,077	877	590	-286	-33%	-233	-8%	
87	2%	Northampton Office	4,554	3,849	3,459	-390	-10%	83	2%	
26.56	1%	Finance & Procurement sub-total	7,632	4,726	4,050	-676	-14%	-150	0	
<u>HR & OD</u>										
-12	0%	Cambridge Office	3,278	2,254	2,170	-84	-4%	-23	-1%	
-300	0%	Northampton Office	6,258	4,421	3,907	-513	-12%	-412	-7%	
-11.59	0%	HR & OD sub-total	9,537	6,675	6,077	-597	-9%	-435	0	
<u>Operations</u>										
211	0%	Cambridge Office	3,293	5,009	4,479	-531	-11%	217	7%	
-121	0%	Northampton Office	13,112	10,112	10,208	97	1%	-606	-5%	
211.4	0%	Operations sub-total	16,405	15,121	14,687	-434	-3%	-389	0	
<u>Legal</u>										
-83	0%	Cambridge Office	-20	-29	-98	-69	241%	-23	-115%	
450	0%	Northampton Office	-1,091	-512	-242	270	-53%	446	-41%	
-83	0%	Legal sub-total	-1,110	-541	-340	201	-37%	423	0	
143.37	0%		32,463	25,981	24,474	-1,507	-6%	-551	0	

2.2 Outturn Position



See appendix for detailed service tables

Significant Issues – Finance & Procurement

2.2.1 Cambridge Office

- Research, Performance and Financial Strategy is forecasting an underspend of £125k. This is due to staffing vacancies within Financial Strategy that are not expected to be filled this financial year.

2.2.2 Northampton Office

- There is an overall surplus of £270k in Finance, this has increased from last month by £18k and is mainly attributable to an increase in activity of services provided to other areas in the council resulting in a forecast increase in recharges and income.
- There is a cross-service pressure of £484k relating to the payroll project and costs associated with the provision of ERP licenses.
- Internal Audit is forecasting an underspend of £69k for the year. This underspend is primarily due to vacancy management and computer audit costs being less than originally expected.
- There is a forecast underspend of £47k in Procurement due to vacancy management and a 15k saving forecast on the Redundancy budget.

2.3 Significant Issues – Human Resources & Organisational Design

2.3.1 Cambridge Office

2.3.2 Northampton Office

- Within Human Resources (HR) there is a managed reduction of £350k in expenditure on Adult Social Care Workforce training, an increase of £50k from last month.
- There are salary pressures on the HR leadership budget of £63k, which are being offset by savings in salary costs on the HR Professional Services budget and an increase in recharges from services, resulting in a £125k underspend.

2.4 Significant Issues – Operations

2.4.1 Cambridge Office

- The finance transactional teams are reporting a combined underspend of £90k. This is due to part year staffing vacancies within the Revenues IROs team (£32k) and general efficiencies across all teams (£58k).
- The Shared Services Programme team budget is showing an overspend of £326k as a result of delays in achieving targeted operational savings. However, this will be largely offset by savings elsewhere in LGSS.
- The Authority-wide Miscellaneous budget is forecasting an overspend of £40k. Receipt of the 2009-10 ESPO rebate (£80k) is in doubt due to pending legal proceedings. Although it is currently expected that the 2010-11 rebate will be forthcoming (£120k), there is a risk that this may also be impacted by the legal proceedings.

2.4.2 Northampton Office

- In HR Customer Services there is a pressure of £50k relating to anticipated redundancy costs, these costs have arisen from the restructuring of the HR Operations team into an integrated service incorporating payroll.
- Additionally there is a forecast overspend of £194k on the residual Excellence for our Customers (EfoC) programme. This is as a result of the outcome of the calculation of Minimum Revenue Provision (MRP) - to fund EfoC capital expenditure (£129k), and also an increase in costs due to the parallel running on the Fujitsu contract.
- A forecast underspend of £850k, made up of the capitalisation of the cost of staff working on capital projects (£450k) and savings relating mainly to contract costs (£400k).

2.5 Significant Issues – Legal

2.5.1 Cambridge Office

2.5.2 Northampton Office

- There is a forecast overspend of £446k following a detailed review of the forecast position for Legal Services. Recharging to internal customers is taking place on a monthly basis, but there is a forecast under-recovery of income as a result of higher than predicted levels of non-chargeable hours. The reduced productivity in the first half of the financial year was due in part to activity being undertaken to achieve Lexcel accreditation. It was hoped that this shortfall would be redressed by increased productivity in the second half of the year but, to date, this has not been sufficient to offset the earlier shortfall. In addition, it is envisaged that the ongoing work on reorganisation and redesign of processes to enable the integration of the Northamptonshire and Cambridgeshire offices will impact upon productivity, although the extent of this is not certain at this point - minor change from last month.

3.0 Benefits Realisation 2010/11

Savings identified in the Detailed Business Case are scheduled to be realised within the year of transition. It should be noted that within some authority Tier 0/1 costs have continued beyond the go-live date for LGSS.

More detail needs to be obtained for the next report regarding any savings over and above the Business Case, as well as more detail on the on-going Tier 0/1 expenditure.

Below is a summary of progress against the savings targets for 2010/11:

3.1 Summary of savings targets for 2010/11 and 2011/12:

Targeted Savings Breakdown over two years				
	Target	Type of Saving	2010/11	2011/12
Finance & Procurement	Alpha	Financial Strategy & Corporate Accounting	0	-88,000
		Procurement	-40,000	0
		Audit & Risk Management / Increased income generation	0	-88,000
	Beta	Procurement Template	0	-280,000
		External Audit Fees (Systems) (ND/DL) (297k CCC + 430k NCC @20%)	0	-145,580
	Gamma	CCC IPP - Finance Professional: managed reduction confirmed	0	-121,000
		CCC IPP - Research: managed reduction confirmed	0	-24,000
		CCC IPP - Property, Estate & Performance: managed reduction confirmed	0	-9,000
		CCC IPP - Audit, Insurance and Risk Management: managed reduction confirmed	0	-9,000
	All	NCC Vacancy Factors - Professional/Transactional Finance, IT & Legal	0	-154,000
Finance & Procurement Total			-40,000	-918,580
HR&OD	Alpha	Single OD & Learning	0	-60,000
		Strategy & Policy - Pay & Reward	0	-50,000
	Gamma	CCC IPP - OD & HR: fundamental review and change to service delivery	0	-107,000
	All	NCC Vacancy Factors - Professional/Transactional Finance, IT & Legal	0	0
	HR&OD Total		0	-217,000
Operations		FABA personal budget reduction	0	-30,000
		Reorganisation of eBusiness Systems Admin, Development & Testing Functions	0	-33,000
		Reorganisation GL & Admin Support	0	-29,000
		Single Transactional Services	0	-60,000
		Reduced NCC team following implementation	0	-250,000
		Integrated HR/payroll solution	0	-25,000
		Shared Hosting / Procurement of ERP Hosting	0	-558,861
	Beta	FABA - Business Processes	0	-137,801
	All	NCC Vacancy Factors - Professional/Transactional Finance, IT & Legal	0	-141,730
	Operations Total		0	-1,265,391
Legal	Alpha	Legal increase external income generation	0	-200,000
	Beta	Legal zero based budgeting exercise at NCC	0	-370,000
	All	NCC Vacancy Factors - Professional/Transactional Finance, IT & Legal	0	-35,000
	Legal Total		0	-605,000
T0/1		Tier 0-1 Mgmt	-90,000	-141,526
	Tier 0/1 Total		-90,000	-141,526
	TOTAL		-130,000	-3,147,497

3.2 Progress in 2010/11 against target:

Achieved Savings Breakdown 2010/11				
	Target	Type of Saving	Target	Actual
E&P		Procurement	-40,000	-40,000
		Finance & Procurement Total	-40,000	-40,000
T0/1		Tier 0-1 Mgmt	-90,000	-90,000
		Tier 0/1 Total	-90,000	-90,000
	TOTAL		-130,000	-130,000

3.3 Progress against 2011/12 target:

Steps are being taken via the integrated planning process to ensure 2011/12 savings are achieved including the publication of the S188 notice for LGSS. Also, it has been identified that the planned saving from the joint procurement of the ERP hosting contract will be greater than estimated by approx £440k.

4.0 Investment Programme

The investment costs for 2010/11 identified in the Detailed Business Case are shown in the table below.

Further discussions need to take place with workstream leads and project managers regarding the committed expenditure for the current year.

For example the timing of 5) Scanning Solution and 7) Oracle Hosting Setup Costs, could overlap into next financial year and not all happen in the current year. In addition, there is work happening within the IT department that is linked to 4) Technical Infrastructure.

Business Case Funding 2010/11 (£)

	Budget	Committed	Remaining
1) Programme Team			
Programme Team Costs	48,000	9,000	39,000
Other general overheads	2,400	0	2,400
Communications	40,000	20,000	20,000
Programme Team Total	90,400	29,000	61,400
2) Consultancy	50,000	50,000	0
3) Training			
Training Total	0	0	0
4) Technical Infrastructure			
WAN network upgrade installation	21,000	0	21,000
Virtual LAN	40,000	0	40,000
WAN maintenance	27,200	0	27,200
Virtual LAN maintenance	8,000	0	8,000
Annual Costs - Email/Exchange/SharePoint	37,000	0	37,000
Ongoing Scanning Support	7,180	0	7,180
Disaster Recovery - non ERP	10,000	0	10,000
Email/Messaging/SharePoint + 2TB + disk cap	77,500	0	77,500
Disaster Recovery (non EBS - EBS in supcont)	40,000	0	40,000
Technical Infrastructure Total	267,880	0	267,880
5) Scanning Solution	300,000	300,000	0
6) Oracle Hosting Setup costs	250,000	250,000	0
7) LGSS Oracle R12 - includes Self-Serv funct	0	0	0
8) Legal - Lexcel Accreditation	0	0	0
9) People Transition			
People Transition Total	0	0	0
10) Contingency			
Contingency Total	0	0	0
Total Business Case Investments 2010/11	958,280	629,000	329,280

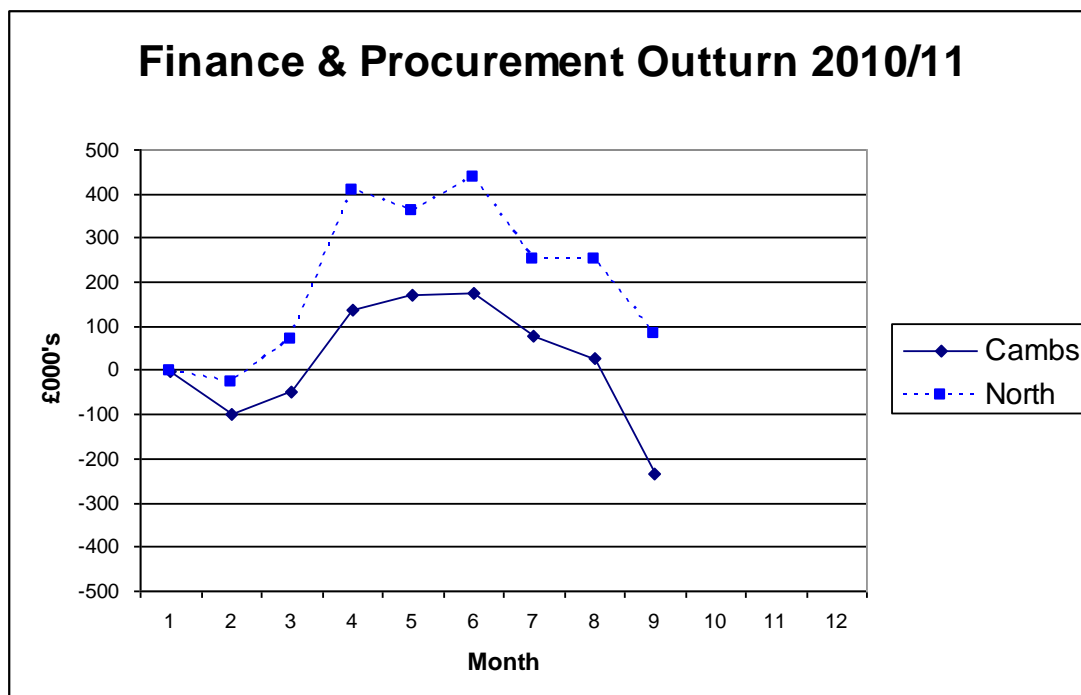
Note: Capital investment for Oracle R12 upgrade begins in 2012. See appendix 5 for full breakdown of investments over the next five years.

Appendix 1: Finance & Procurement Service Level Budgetary Control Report

The variances to the end of December 2010 for Finance & Procurement are:

Nov 10 Outturn		Service	Budget for	Expected to	Actual to				
Forecast			2010-11	Dec-10	Dec-10	Dec-10	Variance	Forecast	Outturn
£000	%		£000	£000	£000	£000	%	£000	%
<u>Cambridge Office</u>									
-22	0	Director of Finance	149	184	111	-73	-40%	-22	-15%
-20	0	Audit & Risk Management	371	556	524	-31	-6%	-13	-4%
0	0	External Audit	298	149	101	-48	-32%	0	0%
-20	0	F&P ES, C&AS & CD	797	521	481	-40	-8%	-35	-4%
-15	0	F&P CYPS	928	578	596	18	3%	-15	-2%
-100	0	Research, Performance & Financial Strate	1,169	951	818	-133	-14%	-125	-11%
-26	0	Procurement	87	79	56	-23	-29%	-23	-26%
0	0	Property Commissioning	0	239	210	-29	-12%	0	0%
0	0	Strategy and Estates	940	566	525	-41	-7%	0	0%
230	1	Better Utilisation of Property Assets	-205	-94	37	130	-139%	0	0%
26.56	4%		4,535	3,730	3,459	-271	-7%	-233	-5%
<u>Northampton Office</u>									
-252	0	Finance	2,821	2,546	2,325	-222	-9%	-270	-10%
-69	0	Internal Audit and Risk Management	654	495	402	-94	-19%	-69	-11%
0	0	Freedom of Information	138	103	99	-4	-4%	0	0%
-15	0	Redundancy	137	103	91	-12	-11%	-15	-11%
466	4	Cross Service Pressure (Payroll)	0	0	0	0	-100%	484	466%
-43	0	Procurement	805	601	543	-59	-10%	-47	-6%
438	10%		4,554	3,849	3,459	-390	-10%	83	2%
Finance & Procurement Total			9,089	7,579	6,918	-661	-9%	-150	-2%

Outturn Position



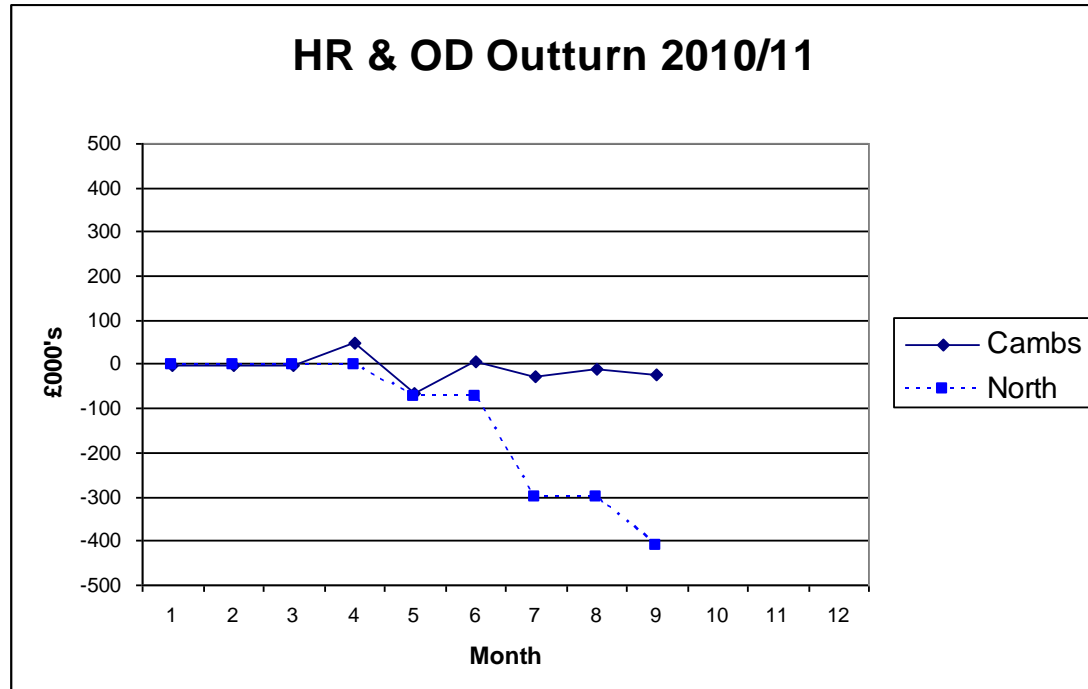
Commentary on Service Budgets					
Service	Budget £000	Variance £000	Variance %	Outturn £000	Outturn %

Appendix 2: Human Resources & Organisational Design Service Level Budgetary Control Report

The variances to the end of December 2010 for Human Resources & Organisational Design are:

Nov 10 Outturn		Service	Budget for	Expected to	Actual to	Dec-10 Variance		Forecast Outturn	
Forecast	2010-11		Dec-10	Dec-10	Dec-10	%	£000	%	
£000	%		£000	£000	£000	£000		£000	%
<u>Cambridge Office</u>									
0		0 Director of People, Policy & Law	222	183	161	-22	-12%	-15	-7%
-18		0 HR - ES, C&AS & CD	563	412	381	-31	-7%	-42	-7%
8		0 HR - C&YPS	487	321	351	29	9%	13	3%
7		0 Policy & Business Services	1,336	1,020	1,042	22	2%	24	2%
-7		0 Organisational Development	670	318	235	-83	-26%	-3	0%
-11.589	0%		3,278	2,254	2,170	-84	-4%	-23	-1%
<u>Northampton Office</u>									
-50		0 HR - Professional Services	2,503	1,887	1,738	-149	-8%	-125	-5%
0		0 HR - Vocational Training Centre	-62	-137	-80	57	-41%	0	0%
50		0 HR - Leadership	632	474	524	50	11%	63	10%
0		0 HR - Organisation Development	889	667	523	-144	-22%	0	0%
-300		0 HR - Social Care Learning & Developmen	1,676	1,122	893	-230	-20%	-350	-21%
0		0 ERP & Shared Service	620	407	310	-97	-24%	0	0%
-300	-5%		6,258	4,421	3,907	-513	-12%	-412	-7%
Human Resource & Organisation Design Total			9,537	6,675	6,077	-597	-9%	-435	-5%

Outturn Position



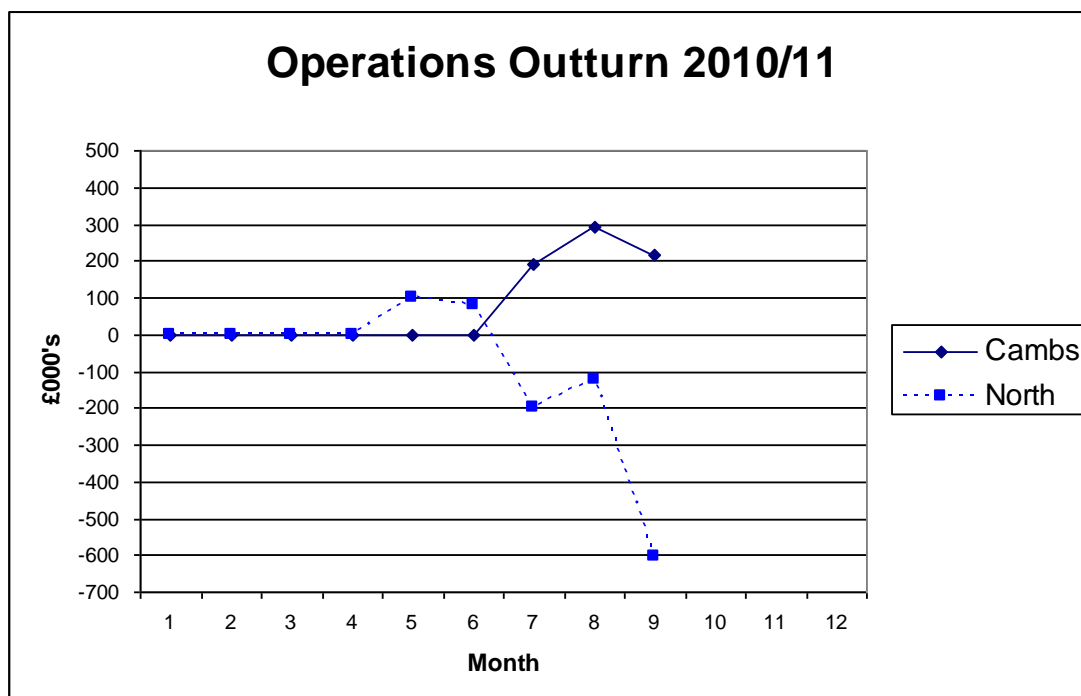
Commentary on Service Budgets					
Service	Budget £000	Variance £000	Variance %	Outturn £000	Outturn %

Appendix 3: Operations Service Level Budgetary Control Report

The variances to the end of December 2010 for Operations are:

Nov 10 Outturn		Service	Budget for	Expected to	Actual to	Dec-10 Variance		Forecast Outturn	
Forecast			2010-11	Dec-10	Dec-10	Dec-10		£000	%
£000	%		£000	£000	£000	£000	%	£000	%
<u>Cambridge Office</u>									
0		0 Pensions Service	0	1,335	1,337	2	0%	0	0%
-19		0 HR Transactions & Payroll	-305	23	-2	-26	-109%	-19	6%
-87		0 Finance Transactions	1,748	1,416	1,360	-56	-4%	-90	-5%
317		0 Shared Services Programme	1,850	2,235	1,783	-452	-20%	326	18%
211.399	0%		3,293	5,009	4,479	-531	-11%	217	7%
<u>Northampton Office</u>									
50		0 HR - Customer Services	428	174	181	7	4%	50	12%
129		0 ERP & Shared Service	1,924	1,364	1,558	195	14%	194	10%
-300		0 Corporate IT	3,393	2,594	2,394	-201	-8%	-850	-25%
0		0 Centralised IT Services Budgets	2,873	1,972	1,828	-145	-7%	0	0%
0		0 Centralised Land Lines & Mobile Phones	2,755	1,614	1,509	-105	-7%	0	0%
0		0 Finance	1,739	2,394	2,739	346	14%	0	0%
-200	-2%		13,112	8,107	8,401	295	4%	-606	-1%
Operations Total			16,405	13,116	12,880	-236	-2%	-389	-2%

Outturn Position



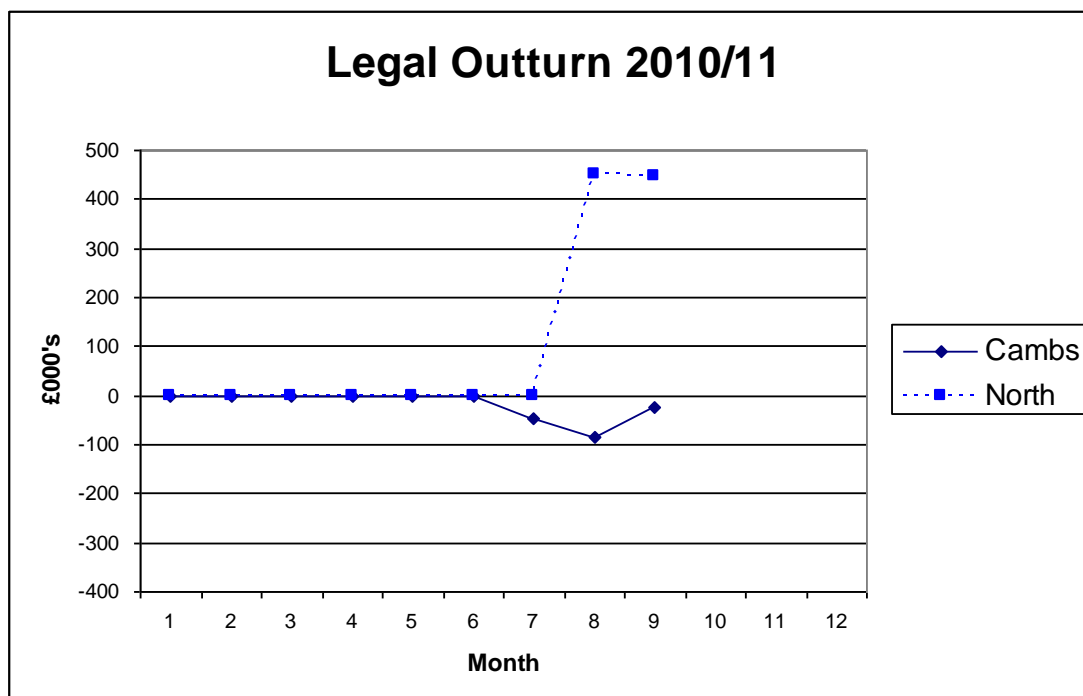
Commentary on Service Budgets					
Service	Budget £000	Variance £000	Variance %	Outturn £000	Outturn %

Appendix 4: Legal Service Level Budgetary Control Report

The variances to the end of December 2010 for Legal are:

Nov 10 Otturn Forecast		Service	Budget for 2010-11	Expected to Dec-10	Actual to Dec-10	Dec-10 Variance		Forecast Otturn	
£000	%		£000	£000	£000	£000	%	£000	%
<u>Cambridge Office</u>									
-83	-416%	Legal Services	-20	-29	-98	-69	241%	-23	115%
-83	-416%		-20	-29	-98	-69	241%	-23	115%
<u>Northampton Office</u>									
450	41%	Legal Services	-1,091	-512	-242	270	-1	446	0
0	0%		-1,091	-301	-152	149	-49%	446	0%
Legal Total			-1,110	-330	-250	80	-3%	423	6%

Outturn Position



Commentary on Service Budgets					
Service	Budget £000	Variance £000	Variance %	Outturn £000	Outturn %

Appendix 5: Investments over the life of the hosting contract

Business Case Funding (to 2014/15)

	10/11	11/12	12/13	13/14	14/15
1) Programme Team					
Programme Team Costs	48,000	96,000	48,000	0	0
Other general overheads	2,400	4,800	2,400	0	0
Communications	40,000	40,000	40,000	0	0
Programme Team Total	90,400	140,800	90,400	0	0
2) Consultancy	50,000	50,000	0	0	0
3) Training					
Train the Trainers	0	4,000	3,000	0	0
Drop in Clinics	0	36,000	18,000	0	0
Self Service Modules (UPK development)	0	25,000	12,500	0	0
AP Module System Training	0	3,000	0	0	0
AR Module System Training	0	3,000	0	0	0
GL, FA & Reporting Module System Training	0	3,000	0	0	0
HR Module System Training	0	0	4,800	0	0
Payroll Module System Training	0	0	4,800	0	0
AP Process Training	0	39,400	0	0	0
AR Process Training	0	33,800	0	0	0
GL, FA & Reporting Process Training	0	38,000	0	0	0
HR Process Training	0	0	142,800	0	0
Payroll Process Training	0	7,000	7,000	0	0
Training Total	0	192,200	192,900	0	0
4) Technical Infrastructure					
WAN network upgrade installation	21,000	0	0	0	0
Virtual LAN	40,000	0	0	0	0
Knowledge Base - policies, procedures, OLAs, SLAs	0	0	0	0	0
Intranet/internet	0	0	0	0	0
Helpdesk	0	0	0	0	0
Desktop Branding	0	0	0	0	0
Business Group Setup in Oracle EBS	0	0	0	0	0
WAN maintenance	27,200	27,200	27,200	27,200	27,200
Virtual LAN maintenance	8,000	8,000	8,000	8,000	8,000
Annual Costs - Email/Exchange/SharePoint	37,000	37,000	37,000	37,000	37,000
Ongoing Scanning Support	7,180	7,180	7,180	7,180	7,180
Disaster Recovery - non ERP	10,000	10,000	10,000	10,000	10,000
Email/Messaging/SharePoint + 2TB + disk cap	77,500	0	0	0	0
Disaster Recovery (non EBS - EBS in supcont)	40,000	0	0	0	0
Technical Infrastructure Total	267,880	89,380	89,380	89,380	89,380
5) Scanning Solution	300,000	0	0	0	0
6) Oracle Hosting Setup costs	250,000	250,000	0	0	0
7) LGSS Oracle R12 - includes Self-Serv funct	0	205,131	205,131	205,131	205,131
8) Legal - Lexcel Accreditation	0	50,000	0	0	0
9) People Transition					
LGSS - Redundancy	0	151,885	151,885	0	0
LGSS - Early Retirement	0	49,686	49,686	0	0
People Transition Total	0	201,571	201,571	0	0
10) Contingency					
ERP hosting contract	0	150,000	150,000	150,000	150,000
Redundancy Contingency	0	100,785	100,785	0	0
Programme Cost	0	33,333	33,333	33,334	0
Contingency Total	0	284,119	284,118	183,334	150,000
Total Business Case Investments	958,280	1,463,200	1,063,500	477,845	444,511