

**LGSS Joint Committee**

**17 November 2016**

**Subject: LGSS 2016-17 Budget Monitoring**

**Actions:**

- 1. Note the financial monitoring position as at 30 September 2016.**
- 2. Note the summary position on carry forward balances.**

## **Section 1 - Overview**

- 1 This report is the combined LGSS financial monitoring report, with LGSS now a three-way partnership
- 2 LGSS services are run in the majority of cases as integrated operations. The financial reporting for LGSS therefore combines the resources from each authority in order to provide an overall position for LGSS Operational services.
- 3 Section 2 and Appendices 1(a) and 1(b) of this report show the summary and detailed financial position for LGSS Operational. The benefits to the partners 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 2016-17.
- 4 At the end of the year the LGSS Operational outturn variance will be split between partner authorities on the basis of net budget, as per the partnering agreement. The forecast allocations based on the year to date monitoring are shown at paragraph 2 of Section 2.
- 5 A Budget Savings Tracker has been set up to enable service managers to give a monthly update on the delivery of 2016-17 savings and benefits. A summary of this information is given at paragraph 3 of Section 2, with the full document attached at Appendix 2. This is monitored and reviewed on a monthly basis with LGSS Directors, the Finance Director and the Managing Director.
- 6 At the end of 2015-16, LGSS held carry forward balances relating to services now within the new partnering agreement. A detailed analysis of these balances is provided at Appendix 3, with the intention being that they will be ring-fenced specifically for LGSS liabilities and business needs identified prior to 1 April. For example, the smoothing reserve, which has been accumulated as part of a deliberate planning strategy to manage future trading risk, will be only be applied to LGSS contract arrangements existing prior to April 2016.
- 7 LGSS also 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 overspends 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 at Appendix 4. This information is also sent on a monthly basis to the CFO of each authority.

## Section 2 - LGSS Operational Budget Monitoring – September 2016

	Previous Forecast Variance	Gross Exp Budget	External Income Budget	Internal Income Budget	Full Year Budget	Pressures	Full Year Forecast Variance
	£000	£000	£000	£000	£000	£000	£000
Finance	90	13,050	-6,787	-694	5,569	90	90
People Transformation & Transactions	100	21,591	-2,586	-1,800	17,205	668	24
LGSS (MKC) Directorate	-163	18,204	-4,535	-711	12,958	53	-145
Information Technology	314	19,567	-1,472	-2,779	15,316	419	111
Legal and Governance	-24	1,556	-649	2	909	19	-30
Strategic Management & Service Assurance	0	696	-10	-16	670	100	100
<b>Total LGSS Services</b>	<b>317</b>	<b>74,664</b>	<b>-16,039</b>	<b>-5,998</b>	<b>52,627</b>	<b>1,349</b>	<b>150</b>

Trading Contracts	250	2,952	-24,349	-248	-21,645	250	250
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<b>Total LGSS Operational</b>	<b>567</b>	<b>77,616</b>	<b>-40,388</b>	<b>-6,246</b>	<b>30,982</b>	<b>1,599</b>	<b>400</b>
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1. The overall forecast outturn variance of £400k is split between a variance of £150k on LGSS Services and £250k on trading contracts. The former recognises pressures that have been identified in-year, but which will be addressed by mitigating actions with the intention of delivering a nil variance at year end. The latter will be offset through the Smoothing Reserve, which has been purposely built up in previous financial years to address potential trading risk. Further detail and commentary on the joint LGSS Operational outturn position is provided at Appendices 1(a), 1(b) and 1(c).
2. Based on the current outturn forecast the likely split of the variance between partner authorities would be as per the Table below. This is based on relative net budgets and has been adjusted for those forecast variances deemed to be a direct result of inherent risk within a budget.

	MKC	NCC	CCC	Smoothing Reserve	Total
	£000	£000	£000	£000	£0000
Trading Contracts				250	250
Service Assurance		50	50		100
Finance	0	45	45		90
People, Transformation and Transactions	101	-39	-38		24
Information Technology	51	30	30		111
Legal and Governance	-14	-8	-8		-30
LGSS (MKC) Directorate	-53	-46	-46		-145
<b>Total LGSS Operational</b>	<b>85</b>	<b>32</b>	<b>33</b>	<b>250</b>	<b>400</b>

3. A summary of the current RAG rating of budget proposals is shown below, (with further detail at Appendix 2):

<b>RAG Rating</b>	<b>Number of Proposals</b>	<b>Value £000</b>
Red	1	40
Amber	15	1,486
Green	24	2,428
Total	40	3,954

## Appendix 1 (a)

### 2016-17 Monitoring Detail – LGSS Operational Budgets

#### Finance Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Sept £000	Pressures £000	Full Year Forecast Variance £000
<b>Finance Directorate:</b>								
Finance (excl MKC)	90	7,381	-763	-694	5,924	3,305	90	90
Land Charges (NBC)	0	154	-210	0	-56	-29	0	0
Pensions Operations	0	5,515	-5,814	0	-299	1,714	0	0
<b>Total Finance Directorate</b>	<b>90</b>	<b>13,050</b>	<b>-6,787</b>	<b>-694</b>	<b>5,569</b>	<b>4,990</b>	<b>90</b>	<b>90</b>

The Directorate is forecasting a £90k overspend.

There is an historically large vacancy factor against the Finance service which will not be achieved this year due to limited turnover.

#### People, Transformation and Transactions Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Sept £000	Pressures £000	Full Year Forecast Variance £000
<b>P,T&amp;T Directorate:</b>								
PTT Central Management	0	796	0	0	796	353	0	0
Policy & Strategy	0	1,665	-105	-100	1,460	541	0	-25
HR Business Partners	0	3,766	-714	-96	2,956	1,587	458	-51
Learning & Development	0	3,391	-646	-542	2,203	742	0	0
Business Transformation	0	1,086	0	-309	777	419	0	0
Transactional Services	0	7,133	-1,098	-581	5,454	3,699	110	0
LGSS Programme Team	100	3,754	-23	-172	3,559	3,015	100	100
<b>Total P,T&amp;T Directorate</b>	<b>100</b>	<b>21,591</b>	<b>-2,586</b>	<b>-1,800</b>	<b>17,205</b>	<b>10,356</b>	<b>668</b>	<b>24</b>

The Directorate is forecasting a £24k overspend.

There is a forecast underspend of £25k in Policy & Strategy. This is due to over achievement of Health & Safety income.

There is a forecast underspend of £51k in HR Business Partners. There are staff vacancies of £267k, but this is being partly offset by mitigation of the NBC surplus, (£33k), and by the unachievable traded income target, (£183k), that has not been offset by reserves.

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

There is a potential pressure within HR Business Partners of £23k due to the unfunded additional cost of an inherited interim HR manager for MKC and mitigations are being pursued.

There are further pressures within the HR and Transactions services of £329k. The reported position for both services assumes the use of £329k one-off funding and reserves to address a budget shortfall which will be realigned for future years as part of the next budget-setting process.

### **LGSS (MKC) Directorate**

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Sept £000	Pressures £000	Full Year Forecast Variance £000
<b>LGSS (MKC) Directorate:</b>								
Revenues & Benefits (NBC)	0	5,980	-737	-15	5,228	3,204	0	0
Audit & Risk	0	2,372	-508	-122	1,742	818	0	0
Procurement	-194	2,278	-205	-574	1,499	747	0	-150
Democratic Services (MKC)	-22	494	0	0	494	266	0	-22
Professional Finance (MKC)	0	2,352	-163	0	2,189	483	0	-26
Revenues & Benefits (MKC)	53	4,728	-2,922	0	1,806	123	53	53
<b>Total LGSS(MKC) Directorate</b>	<b>-163</b>	<b>18,204</b>	<b>-4,535</b>	<b>-711</b>	<b>12,958</b>	<b>5,641</b>	<b>53</b>	<b>-145</b>

The Directorate is forecasting an underspend of £145k.

There is a forecast underspend of £150k in Procurement. This is due to improved income, staff vacancies and deferred recruitment.

There is a forecast underspend of £22k in Democratic Services due to a post being held vacant.

There is a forecast underspend of £26k in Professional Finance due to increased recovery from Milton Keynes Development partnership for the Commercial Accountant.

The Directorate is forecasting a £53k overspend in Revenue and Benefits due to a reduction in New Burdens funding following DCLG change to funding for council tax admin reduction scheme.

## Information Technology Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Budget to Sept £000	Actual to Sept £000	Pressures £000	Full Year Forecast Variance £000
<b>IT Directorate:</b>									
Northamptonshire County Council	25	4,398	-39	-1,142	3,216	1,733	1,692	175	25
Cambridgeshire County Council	208	2,109	0	-771	1,338	697	922	283	25
Norwich	30	3,505	-500	0	3,005	1,490	1,913	10	10
NHFT	0	3,315	-253	0	3,062	1,531	2,263		0
MKC IT	51	3,700	-664	0	3,036	0	1,366	51	51
Strategy & Architecture	0	1,418	-16	-489	913	457	601	0	0
Service Delivery	0	1,122	0	-377	746	491	716	0	0
<b>Total IT Directorate</b>	<b>314</b>	<b>19,567</b>	<b>-1,472</b>	<b>-2,779</b>	<b>15,316</b>	<b>6,399</b>	<b>9,473</b>	<b>419</b>	<b>111</b>

The Directorate is forecasting a £111k overspend.

There is a £50k forecast overspend within NCC/CCC operations which is due to the additional recruitment of digital analysts and developer posts over and above the establishment in agreement with NCC and CCC. These posts are in part covered by recharges but there is currently a residual forecast pressure for which mitigation is being sought via other funding sources .

There is a £10k pressure due to a decision to recruit to a Head of IT in Norwich in order to expand the LGSS offering in this geographical area.

There is a forecast overspend on MKC IT due to under recovery of non-schools traded income of £51k.

There are also pre-existing budget pressures of approximately £100k which have been mitigated by additional recharging to, for example, capital projects.

A £208k saving, shown as a pressure in this service, was originally planned to be delivered from additional IT budgets being transferred from the CCC retained organisation into LGSS. However, this will not be achieved this year due to the timescales for the Corporate Capacity Review now being later than anticipated. This saving will therefore now be mitigated by reallocating on a pro-rata basis across all LGSS services. This will include Property and Strategic Assets as these services were part of LGSS when LGSS received its overall savings targets for 2016-17 from NCC and CCC.

## Legal and Governance Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Sept £000	Pressures £000	Full Year Forecast Variance £000
<b>Legal and Governance Directorate:</b>								
Democratic Support Services (excl MKC)	-43	931	-127	2	806	399	0	-49
CCC Corporate Legal Budget	0	102	0	0	102	100	0	0
LGSS Law Dividend Target	19	0	-522	0	-522	0	19	19
NBC Legal Budget	0	523	0	0	523	530	0	0
<b>Total Legal and Governance Directorate</b>	<b>-24</b>	<b>1,556</b>	<b>-649</b>	<b>2</b>	<b>909</b>	<b>1,029</b>	<b>19</b>	<b>-30</b>

The Directorate is forecasting a £30k underspend.

Within DSS, additional income from external partners will be received and there are vacancies which are also contributing to the £49k forecast underspend

Although LGSS Law Ltd. is now a separate entity, LGSS budgets for the payment of a dividend which then reduces the net cost to the original partner authorities. Appendix 1(c) provides more detail of the financial forecast for LGSS Law Ltd.

## Strategic Management & Service Assurance

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Sept £000	Pressures £000	Full Year Forecast Variance £000
<b>Strategic Management &amp; Service Assurance:</b>								
Strategic Management	0	169	-10	0	159	80	0	0
Contracts Review	0	-235	0	0	-235	0	100	100
Service Assurance & Customer Engagement	0	525	0	0	525	268	0	0
Leadership Support & Governance	0	139	0	-16	123	29	0	0
Communications & Marketing	0	98	0	0	98	52	0	0
<b>Total Strategic Management &amp; Service Assurance</b>	<b>0</b>	<b>696</b>	<b>-10</b>	<b>-16</b>	<b>670</b>	<b>429</b>	<b>100</b>	<b>100</b>

Strategic Management & Service Assurance are forecasting an overspend of £100k.

£135k of the £235k contract savings budget shown here has now been allocated, and will be shown in other services next month. There is a residual £100k shortfall this year, due to delays in the implementation of the Altair payroll system for Pensions.



**Appendices 1(b) and 1(c)**

Please note that these Appendices are not for publication by virtue of paragraph 3 of part 1 of 12a of the Local Government Act 1972 and have been circulated separately.

**Appendix 2 - Detailed LGSS Budget Savings Tracker**

See separate attachment

### **Appendix 3**

#### **Summary Position on LGSS Carry Forwards (pre MKC)**

Directorate	Service Area	Title	Total Carry Forward	2016-17 Forecast Drawn Down	Re-assigned	Needed 2017-18
			£000	£000	£000	£000
PT & T	Learning & Development	Equipping employees to use Next Generation / Smarter Business mobile technology	319	0	-319	0
PT & T	Learning & Development	Infrastructure investment for the development of the Learning Pool – the online training system for all LGSS customers.	95	95	0	0
PT & T	Programme Management Office	Shared Service Solution	280	280	0	0
PT & T	Revenue & Benefits	Systems Development	55	0	-55	0
PT & T	Revenue & Benefits	LGSS R&B OBC / new systems development	100	55	225	270
Finance	Strategic Assets	Asset Management Database	58	58	0	0
IT	IT	Contribution to the cost of likely technical refresh/investment costs in relation to the shared IT data centre infrastructure	156	156	0	0
SACS	Service Assurance & Customer Engagement	To aid in transitioning to the new structure.	34	34	0	0
Cross-Cutting		Smoothing of planned trading income	753	250	149	652
Cross-Cutting		Redundancy Reserve	175	175	0	0
<b>Total</b>			<b>2,025</b>	<b>1,103</b>	<b>0</b>	<b>922</b>

#### **Note:**

A provision of £284k was created in 2013-14 for benefits share negotiations. £209k was drawn down from this provision in 2014-15, but there were no draw downs in 2015-16, leaving a current balance of £75k.

## Appendix 4

### 2016-17 Monitoring Detail – Budgets managed by LGSS on behalf of others.

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Sept £000	Full Year Forecast Variance £000
<b>Northamptonshire County Council:</b>							
External Audit	0	244	0	0	244	6	0
Policy and Strategy	0	387	0	-17	370	185	0
Information Technology	98	3,971	0	-46	3,925	4,016	79
Democratic Services	0	1,395	0	0	1,395	672	0
Procurement	0	-200	0	0	-200	-241	0
<b>Total</b>	<b>98</b>	<b>5,797</b>	<b>0</b>	<b>-63</b>	<b>5,734</b>	<b>4,638</b>	<b>79</b>
<b>Northampton Borough Council:</b>							
External Audit	0	220	0	0	220	40	0
Policy and Strategy	0	129	0	0	129	55	0
Information Technology	0	1,271	0	0	1,271	673	0
Insurance	0	794	0	26	821	903	0
<b>Total</b>	<b>0</b>	<b>2,414</b>	<b>0</b>	<b>26</b>	<b>2,441</b>	<b>1,671</b>	<b>0</b>
<b>Cambridgeshire County Council:</b>							
Insurance	0	1,894	0	0	1,894	0	0
External Audit	0	141	0	0	141	113	0
Members Allowances	0	1,020	0	0	1,020	496	0
Finance	-322	1,273	-319	0	954	1,249	-322
Information Technology	139	4,063	-159	-2,041	1,863	1,544	139
<b>Total</b>	<b>-183</b>	<b>8,391</b>	<b>-478</b>	<b>-2,041</b>	<b>5,872</b>	<b>3,401</b>	<b>-183</b>
<b>Milton Keynes Council:</b>							
Human Resources	26	157	-17	0	140	81	25
Information Technology	26	1,024	0	0	1,024	453	25
<b>Total</b>	<b>52</b>	<b>1,181</b>	<b>-17</b>	<b>0</b>	<b>1,164</b>	<b>534</b>	<b>50</b>

#### Northamptonshire County Council

There is a £79k forecast overspend within IT managed due to the overlap of line lease contracts.

#### Northampton Borough Council

There are no forecast variances on the budgets managed on behalf of NBC.

### **Cambridgeshire County Council**

There is a forecast underspend of £183k on the budgets managed by LGSS on behalf of Cambridgeshire.

There is a forecast underspend within Finance due to a £322k Capita/Mouchel latent defect correction reserve being no longer required.

There is a forecast overspend of £139k on IT. There is a pressure of £165k that relates to WAN upgrades and the revenue cost of tablets in 2016-17 which is being partly offset by reduced spend across the service. The WAN cost will be covered by CCC and the overspend in relation to the tablets is due to there being no budget provision.

### **Milton Keynes Council**

There is a forecast overspend of £50k on the budgets managed by LGSS on behalf of Milton Keynes Council.

The £25k forecast overspend for HR relates to a stretch income target which is to be addressed in the 2017-18 budget build. There is also a £25k forecast overspend on IT due to the Print Room moving to new premises.