

For the public sector

Agenda Item No.5

LGSS Joint Committee

20th August 2020

Subject: LGSS 2020-21 Budget Monitoring

Actions:

- 1. Note the financial monitoring position as at 30th June 2020**
- 2. Approve the use of LGSS uncommitted reserves to fund essential IT upgrades at a total cost of £976k.**

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 for each authority's budget proposals for 2020-21. If there is a surplus at the end of the financial year this would be considered by Joint Committee for reinvestment and future commitments, or for redistribution to the partner Councils. 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.
2. The transition programme for the future provision of LGSS services is ongoing and implementation dates are yet to be finalised. This report is therefore prepared on the basis of the current budgets and structures and does not take account of the changes being worked towards until such time as the details of those changes are confirmed.

Revenue position

3. The forecast variance for LGSS Operational Services at the end of June 2020 is an underspend of £346k, of which:
 - £859k relates to shared service underspends;
 - £513k relates to pressures on trading shared between CCC and NCC arising from the cessation of service provision to Norwich City Council and a reduction in the agreed recharges to the Councils' pension funds.

Further detail is set out in section 2 and **Appendix 1**.

4. In addition, there are savings targets for CCC and NCC brought forward from last year, and a new savings target for NCC for 2020/21 which have no plans for delivery in advance of the move to the new operating model for LGSS services. The savings targets total CCC £557k and NCC £375k.

	Previous LGSS Net Variance £'000	Full Year Budget £'000	Forecast LGSS Net Variance £000
Total LGSS Services	-	35,000	-859
Trading Account	-	-9,793	513
Total LGSS Operational	-	25,207	-346
Council specific savings budgets	-	-899	932
Total LGSS Budgets	-	24,309	585

5. In the context of the current review of the LGSS operating model, a number of posts are being held vacant. In addition, recruitment is proving difficult in a number of areas adding to underspends from vacant posts. LGSS are trying to avoid making new commitments whilst awaiting the outcomes of the review. The underspends arising from these actions are reflected in the underspend for LGSS, but are also impacting on service delivery.
6. The split of the forecast outturn between the 3 partner councils is shown below:

	CCC £'000	MKC £'000	NCC £'000	Total £'000
LGSS Services underspend	-301	-257	-301	-859
Trading (surplus / deficit)	256	0	256	513
LGSS Operational Total	-45	-257	-45	-346
Shortfalls on Council specific savings targets	557	0	375	932
Total	512	-257	330	585

Reserves position

7. The balance in LGSS reserves at 1 April 2020 was £2,883k of which £1,166k was committed and £1,717k uncommitted.
8. On 10th July 2020 the LGSS Transition Board agreed requests for further use of LGSS uncommitted reserves to fund improvements to the LGSS data back up infrastructure at a cost of £772k, an essential upgrade to the CivicaPay income management system at a cost of £184k, and an upgrade to the Internal Audit software at a cost of £20k. Formal approval for these improvements is now requested from LGSS Joint Committee. Further detail is provided in **Appendix 2**. If approved, these requests will reduce LGSS uncommitted reserves to £740k.
9. Based on the forecasts included in this report there is a forecast transfer to reserves at year end of £257k for MKC as shown in the outturn split table above. This will increase LGSS uncommitted reserves to £997k.

Budgets by authority

10. The budgets for each of the 3 authorities are set out in **Appendix 3** with a summary of the budget movements in the year to date.

Section 2 - LGSS Operational – June 2020

	Previous Forecast Variance	Gross Exp Budget	External Income	Internal Income	Full Year Budget	Actuals to June	Full Year Variance
	£000	£000	£000	£000	£000	£000	£000
Finance Services	-	13,808	-5,293	-563	7,952	3,893	94
Human Resources	-	12,060	-2,456	-284	9,321	1,651	-362
Information Technology Services	-	21,344	-801	-3,992	16,551	4,783	-372
Managing Director & Support	-	2,295	-994	-125	1,176	237	-219
Total LGSS Services	-	49,507	-9,544	-4,963	35,000	10,564	-859
Trading Account	-	-264	-9,529	0	-9,793	-178	513
Total LGSS Operational	-	49,243	-19,073	-4,963	25,207	10,385	-346
Shortfall on savings targets	-	-899	0	0	-899	0	932
Total LGSS Budgets	-	48,344	-19,073	-4,963	24,309	10,385	585

Revenue position

1. The forecast outturn variance on LGSS Services at the end of June 2020 is an underspend of £859k.
2. There is a forecast pressure on trading to be shared between CCC and NCC of £513k as a result of: the cessation of service provision to Norwich City Council; an agreed reduction in the recharges to the Councils' Pension Funds; partially offset by forecast upside on the NBC contribution as a result of shared savings in the costs of service provision.
3. Overall, this gives an LGSS operational underspend of £346k excluding the Council's savings targets, representing an underspend for all 3 Councils as set out in para 4 of Section 1 above. Further detail and commentary on over and underspends is provided at Appendix 1.
4. There are also shortfalls on savings targets for CCC and NCC totalling £932k. For NCC these savings targets are expected to be met by the move to the new operating model for LGSS services. There are no plans for delivery of the CCC savings as the development of such plans was put on hold during the review of the future operating model.

Source Documents	Location
None	Not applicable

Appendix 1

2020-21 Monitoring Detail – LGSS Operational Budgets

Finance Services Directorate

	Previous Forecast Variance	Gross Exp Budget	External Income Budget	Internal Income Budget	Full Year Budget	Actual to June	Forecast Full Year Variance
	£000	£000	£000	£000	£000	£000	£000
Finance Services Directorate:							
Finance Leadership	0	2	0	0	2	0	0
Financial Operations	48	4,037	-238	-67	3,732	1,504	55
Debt Service	0	664	-10	0	654	120	-30
Audit & Risk	57	2,138	-440	-182	1,516	382	57
Pensions Operations	0	4,250	-4,250	0	0	1,128	0
Norwich	0	0	0	0	0	6	0
NBC	0	665	-5	0	661	159	0
Procurement	39	1,552	-235	-12	1,306	335	11
Insurance	0	499	-115	-302	81	261	0
Total	144	13,808	-5,293	-563	7,952	3,893	94

The Finance Services Directorate is forecasting an overspend of £94k.

Finance Operations and Income is forecasting an overspend of £48k partly as a result of historic savings targets which it has not yet been possible to deliver in full, and also due to an overspend in the MKC Social Care Operations teams.

The Debt Service is forecasting an underspend of £30k due to vacant posts and work being covered within the wider team.

Internal Audit & Risk are forecasting an overspend of £57k. A proportion of the overspend can be attributed to £32k of pre-agreed internal recharges (not anticipated by the budget manager during the initial budget setting process). These charges relate to absorbing the allocation of finance graduates within the audit department. The remaining £25k of the overspend is a difference between the cost of using agency staff (£15k), coupled with the cost of using external audit service providers to complete the annual audit plan and offsetting these costs against the savings of circa £229k on staff salaries.

NBC Finance: The budget holder is expecting a potential underspend at year end of circa £53k, of which £33k is from recharging SNC (South Northants Council) for the secondment of the Strategic Finance Manager. The remaining £20k is anticipated underspend within staff salaries due to 1 vacancy not anticipated to be recruited for. This situation may change because there is the potential for new staff needed on unitary authority work. This forecast underspend is not included in the numbers above because it will be used to offset overspends elsewhere in the NBC delegated budgets and the remaining underspend share (if any at year end) will be reflected in the NBC trading position for LGSS.

In Procurement an overspend of £11k is forecast, which is primarily being driven by a staffing budget deficit within CCC, causing a budget pressure being forecast within CCC of £140k. This is offset by an agreement to recharge to NCC and CCC £30k of costs for a newly recruited Senior Admin role. Further offsets were realised due to staff savings elsewhere (NCC & MKC), including the Head of Department role which has still not been

filled and recruiting to the Deputy Head of role later in the year by using existing staff and not backfilling the resulting vacant post, therefore culminating in a net impact of a £11k projected overspend.

Human Resources Directorate

	Previous Forecast Variance	Gross Exp Budget	External Income Budget	Internal Income Budget	Full Year Budget	Actual to June	Forecast Full Year Variance
	£000	£000	£000	£000	£000	£000	£000
Human Resources Directorate:							
HR Central Management	-87	156	0	0	156	0	-87
Policy & Strategy	-155	1,098	-6	0	1,092	244	-135
Health, Safety & Wellbeing	-11	754	-59	-139	557	116	-47
HR Business Partners							
CCC	91	1,162	-39	-9	1,115	316	35
NCC	-169	950	0	0	950	95	30
MKC	43	852	0	-55	797	206	26
NCC Schools Income	5	175	-256	10	-72	16	8
MKC Schools	1	159	-151	0	8	23	3
Learning & Development	-79	4,326	-1,245	18	3,098	618	-183
Transactional Services	47	2,417	-699	-109	1,608	17	-12
Total	-314	12,049	-2,456	-284	9,310	1,651	-362

The HR Directorate is currently forecasting an underspend of £362k. The majority of the underspend is attributable to the areas of HR Central Management, Workforce Policy & Strategy, Health, Safety & Wellbeing and Learning & Development.

The business area in its entirety may potentially face challenges around meeting income targets due to additional pressures caused by Covid 19 and disruption to business as usual. Business area managers have been asked to consider this when forecasting between now and when repatriation takes place.

Within Policy and Strategy, the total forecast underspend is £135k. The majority of this saving (£80k) is attributable to significant staff savings gained due to the head of department being seconded to another business area, offset marginally by arrangements for existing members of staff backfilling the role. The remaining savings within the business area are driven by the decision taken not to recruit to full budget capacity for 2 existing vacancies as the business area is currently able to service its operations without any pressure to existing staff.

Within Health, Safety & Wellbeing the position is generally constant when compared to last month in relation to expenditure. Income lines have been reviewed this month and a further £36k income across all income streams (services to schools training for health and

safety) was identified. However, an element of caution still exists in projections for income from Academies because it has not been possible to submit bids due to the uncertainty of repatriation and splitting up of contracts, (becoming a unitary and the impact of Covid 19) which will likely impact the budget. Further clarification on Academies income will be provided in the next reporting cycle.

Within CCC HR Advisory, there is a reported overspend of £35k being forecast. This staffing variance is currently being held by the budget manager until further clarity around repatriation and potential merge with the PCC (Peterborough City Council) team is known.

The NCC Advisory service are forecasting an overspend of £30k, primarily due to staffing pressures. The budget manager has progressively had to recruit more staff to service operations over the last 18 months which has not been reflected in the allocated budget. This has caused a forecast staffing overspend of £160k within NCC Advisory. On a positive note, this negative impact has been offset by the annual receipt of children's trust funding and annual income (received quarterly) from the contract with SNC (South Northants Council) of £122k. In addition, there are 2 team members and a number of further CFN (Children's First Northamptonshire) posts which, although are paid for from NCC Advisory's budget, they have been agreed to be recharged to other NCC Directorates which further contribute to the offset. The remainder of the variance (£8k) was attributable to a fall in income from HR services provided to Schools. While projected income has fallen for provision of services to schools by circa £100k (due to a continued trend of less take up from schools), the requirement of staff needed to service the provision of services has inversely fallen, so the net impact resulted in a forecast overspend of only £8k for schools.

The pressure of £26k in MKC Advisory service is primarily due to insufficient provision having been made for staff increments and full time staff requirements to fulfil operations (£23K). The budget manager is confident that the funding for this shortfall will be received from MKC upon repatriation, but this is not yet a certainty so they cannot forecast for it at this stage. The remaining £3k overspend is attributable to a fall in provision of HR services to schools, offset by the inverse requirement of less staff needed to service the provision of services.

Within the Learning and Development team, the total forecast underspend has vastly decreased from the circa £450k+ which was reported at the end of Financial year 19/20 to £183k this year. The underspend has increased from £79k reported last month to £183k this month. The first contributing driver towards the increased underspend is due to the decision taken to fill an "Adults Manager" post, through an existing member of staff acting upwards with no associated backfill on the vacancy, which has resulted in a projected saving of £45k. Secondly a member of staff, who has had an extension on long term sick, is sadly now on zero pay and the forecast has been revised to reflect this until the end of the financial year (£30k). In addition, a further £18k reduction is projected in the use of sessional workers in the current period. Currently expected to pick back up in Autumn, so the forecast was adjusted to reflect this. As predicted last month, we anticipated the trend in recruitment slippage to continue from last financial year and this is further evidenced this month by a £9k recruitment slippage to other staff vacancies. Despite the optimism to fill vacancies and the fact the team are trying to take the necessary action to reduce recruitment slippage, we do still anticipate some recruitment slippage as the year progresses and given the historic underspend in this area, we may notice the trend continue in an upwards trajectory. (Especially with the lasting impact of Covid 19 which can't seem to be avoided). We will continue to monitor progress on a monthly basis.

Transactional services are forecasting an overspend of approximately £47k this year. The budget manager expects the full budget allocation for staff salaries to be used this year (in contrast to last year where significant savings were incurred due to vacancies being held most of the year and slippage in recruitment). The 2 main drivers for this year's overspend, are therefore summarised as follows:

Firstly the additional staffing requirements brought about from the need for testing and associated projects for when the authority becomes a unitary authority have resulted in the entire staffing budget being absorbed this year. Secondly, there has been a continued reduction in income from services provided to schools. Covid has impacted upon this slightly but the trend has carried on from last year in the main where there seems to be less take up from the schools of services being offered. We will continue to monitor the projected income figure for Schools as we have not yet been provided with the final figures for this. More clarity will have been gained before the next reporting cycle.

Transactional services are forecasting an underspend of £12k. The main variance from last month (budget manager reported a £47k projected overspend last month) was due to further work around timing and need to recruit to full budget capacity this financial year. It was agreed that based on current staffing run-rate and trend, the full budget allocation for staff salaries would not need to be used this year.

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 June £000	Forecast Full Year Variance £000
IT Directorate:							
IT Leadership	-7	88	0	-24	64	53	-7
Cambridgeshire County Council	0	2,657	0	-495	2,162	629	0
MKC IT	44	3,718	-51	-573	3,094	1,457	61
MKC IT Schools	-60	407	-462	0	-54	-193	-18
Northamptonshire County Council	80	3,917	-20	-1,314	2,583	615	-8
Norwich	0	0	0	0	0	248	0
NHFT	0	3,451	-253	0	3,199	556	0
Strategy & Architecture	-135	1,001	-16	-195	789	157	-138
Digital Services	128	1,399	0	-932	467	-6	128
Commercial Management	-57	820	0	-213	608	203	-46
LGSS Business Systems & Change	0	3,885	0	-245	3,640	1,065	-344
Total	-7	21,344	-801	-3,992	16,551	4,783	-372

The IT Directorate is forecasting an underspend of £372k for the 2020/21 financial year.

IT Leadership is forecasting a underspend of £7k related to the Director of IT post.

CCC IT Ops is forecasting a balanced budget at this stage of the year. This is dependent on the transfer of additional agreed funding for the team of £175k from CCC. A number of

the significant recharges that have taken place in the past to fund the team have now been baselined into budgets for 2020/21. Further work is being done on remaining recharges to get a more accurate forecast of the expected year end position before the additional agreed funding is accessed.

MKC IT are forecasting an overspend of £61k. The variance is attributable firstly, to a £103k shortfall in income from recharges to housing and staffing costs for capital projects. Project activity is less than last year due to the current climate and based on the existing run-rate the budget managers are not confident they will reach the budget target. In addition, the overspend has been compounded by circa £50k additional spend in telecoms costs due to the impact of remote working and change in working practices because of Covid 19. These costs are forecast as being offset by an £89k support contribution from MKC towards Microsoft Licence costs, which had to be bought due to the impact of people working from home during Covid 19. This funding is said to have been obtained directly from the government in the form of a support contribution.

The actual charges on the Norwich service line represent prepayments made on behalf of Norwich City Council which will be recharged to the Council in the near future.

Strategy and Architecture is forecasting an underspend of £138k due to a number of vacancies within the service, including the Head of Service post which is being covered elsewhere within the IT Directorate.

The Digital Service is forecasting an overspend of £128k as a result of expected shortfalls in income from the CCC digital team. Options for alternative income generation are being explored to offset this pressure.

Commercial Management are forecasting an underspend of £46k as a result of vacant posts.

LGSS Business Systems and Change are forecasting an underspend of £344k due to the extent of work being carried out for the Future Northants and Children's Trust agendas which will be funded by those programmes.

Managing Director & Support

	Previous Forecast Variance	Gross Exp Budget	External Income Budget	Internal Income Budget	Full Year Budget	Actual to June	Forecast Full Year Variance
	£000	£000	£000	£000	£000	£000	£000
Managing Director & Support	-72	292	0	0	292	52	-72
LGSS Business Planning & Finance	-100	426	0	0	426	64	-100
Customer Engagement & Business Development	-67	562	-69	0	492	109	-126
Language Service	0	1,016	-925	-125	-34	11	79
Total	-239	2,295	-994	-125	1,176	237	-219

Overall the Managing Director and Support area is forecasting an underspend of £219k.

The forecast underspend of £72k on the Managing Director and Support line reflects a £37k forecast underspend on Managing Director and PA support costs compared to the budget, and a £30k forecast underspend assuming there is no external audit undertaken of the LGSS accounts.

There is a forecast underspend of £100k on the LGSS Business Planning and Finance service as a result of posts held vacant whilst the review of the future LGSS operating model is concluded. This is a full year forecast and will be reduced to a part year effect by changes from the LGSS review once these are finalised.

Customer Engagement and Business Development is forecasting an underspend of £126k as a result of posts held vacant whilst the review of the future LGSS operating model is concluded.

There is significant risk around the deliverability of the Language Service income targets. Bookings are down by around 80% for the year to date. Whilst costs are also down, there is expected to be a shortfall for the service for the year which is currently forecast at £79k.

Appendix 2

Summary Position on LGSS Reserves

Reserve	Opening balance 1 April 2020	Movements in year		Closing balance 31 March 2020	Commentary on expected movements
		Transfer s to reserves	Transfer s from reserves		
	£000	£000	£000	£000	
LGSS General reserve	1,717	257	976	997	Movements to reserves reflect requests for new reserves usage as set out in the table below and transfer of underspends to reserves at year end.
Committed reinvestment s	1,166	976	1,449	693	Movement reflects transfers from general reserves and spend against committed reserves as set out below.
Total	2,883	1,233	2,425	1,690	

Committed reserves

	Agree d Usage	Prior Year Movement s	Forecast Movement s in year 2020/21 £000	Forecast Movement s in future years £000	Commentary on expected movements
	£000	£000			
ERP Gold	250	89	161	0	Improvements to ERP Gold post implementation, optimisation of the ERP Gold configuration for user productivity, improvements in reporting, review and reprioritisation of current and future ERP Gold roadmap developments including move to the Cloud.
Helpdesk	50	0	0	50	Redesign end to end processes to support self-service and demonstrably improve the customer experience. On hold awaiting the outcomes of the LGSS operating model review.
AP duplicate payments checker solution	70	26	26	18	Prevention and management of duplicate payments/suppliers and facilitation of duplicate payment recovery. Funding will cover 3 years from March 2019.

Helpdesk solution support costs	145	28	48	69	Continued support for the LGSS helpdesk solution LANdesk to August 2022. A project commenced to review the Service Desk function and source and implement a replacement Service Management tool in 2018. However, this project is on hold whilst future operational arrangement for LGSS are considered. This funding is to provide continued support until such time as new arrangements are brought into effect.
ERP Off Network Access implementation and licensing costs to March 2021	40	10	30	0	Off network access enables users without a network account to login from any computer that has internet access if they have preregistered an email address and mobile phone. This access will enable committed savings to be delivered in the HR transactional area through reduced queries and reduced printing costs.
LGSS operating model transition costs	821	57	764	0	Includes additional costs of transition team, termination costs and cost for the LGSS digital platform Outsystems.
TOTAL APPROVED	1,376	210	1,029	137	
<i>New requests</i>	Request amount	Prior Year Movements	Forecast Movements in year 2020/21	Forecast Movements in future years	Commentary on expected movements
		£000	£000	£000	
LGSS data backup infrastructure	772	0	216	556	There are capacity issues with the current data backup infrastructure which creates risks for disaster recovery for the 3 Councils. Added to this, the support contract for the DR solution expires at the end of January 2021 and needs to be renewed. This spend will address both issues and cover costs through to 2023.

Essential upgrade to the Income Management System	184	0	184	0	An essential compliance upgrade is required to the CivicaPay income management system used by the Councils and there is no budget to cover the cost of this.
Upgrade of Internal Audit software	20	0	20	0	One off to upgrade the LGSS audit software moving from server to Cloud provision.
REQUESTED TOTAL	976	-	420	556	

Appendix 3 – 2019-20 Budget Reconciliation

The below table shows how the 2020-21 LGSS budget has changed throughout the year by authority.

	CCC £000	NCC £000	MKC £000	Total £000
Net budget at start of year	6,279	10,202	7,189	23,670
<u>Movements</u>				
Baselining of CCC IT recharges	675			675
Transfer of IS trainers to CCC	-262			-262
Contingency Funding for Social Media role	202		24	24
Budget for CCC Networks staff from Managed				202
Budget as at 30th June 2020	6,893	10,202	7,213	24,309