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	<b>LGSS Budget 2019-20 U</b>
<b>Date:</b>	28 <sup>th</sup> February 2019
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<b>Subject:</b>	<b>LGSS Budget 2019-20</b>
<b>Purpose:</b>	<b>To update LGSS Joint Committee on development of the LGSS Budget for 2019-20</b>

### **Development of the LGSS Budget**

1. The LGSS business planning framework anticipates an annual update of the LGSS Strategic Plan and production of a budget for LGSS for the year ahead. The budget needs to align with the savings asks of the three partner councils, and set a delivery plan to meet these asks. Service Plans for the LGSS Directorates are then updated in line with the Strategic Plan priorities and the annual budget.
2. The update of the Strategic Plan for 2018-19 was delayed whilst the review of the target operating model for LGSS was reviewed, but an annual budget for 2018-19 was produced and Service Plans updated to align with this. The intention was to update the LGSS Strategic Plan in the Autumn of 2018, but this has not happened pending the final outcomes of the LGSS operating model review.
3. As the operating model review has progressed the possible implications for the LGSS budget have become more apparent. As a result, the budget preparation process for 2019-20 has been delayed awaiting the outcomes of the review. However, given the review has not yet concluded, and the start of the next financial year is fast approaching, we are now in a position where we need a budget agreed for LGSS services to operate to in 2019-20. This budget update has been prepared based on the current LGSS operating model, but will need to be revisited once the outcomes of the operating model review are finalised.

### **Savings asks**

4. The savings asks of LGSS built into the medium term financial plans of the three core councils over the next 5 years are set out in Table 1 below. These include:
  - the shared savings set out in the business case for Milton Keynes joining LGSS up to 2020-21;
  - additional savings asks requested by all three councils.

5. In addition, there is a current pressure on the LGSS trading target in 2018-19 which is expected to continue into 2019-20. Savings will be required to offset this pressure and so the trading shortfall has been built into the savings ask in Table 1 below.

**Table 1:** Financial Asks – 2019-20 to 2023-24

	2019-20	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000	£000
<u>LGSS shared operational savings from MKC joining LGSS</u>					
CCC	619	607	0	0	0
MKC	465	415	0	0	0
NCC	248	351	0	0	0
<u>Additional savings asks</u>					
CCC	300	300	566	284	0
MKC	0	0	353	0	0
NCC (includes £50k ask brought forward from 2018-19)	196	25	0	0	0
<u>Pressures</u>					
LGSS Trading	229	0	0	0	0
<b>Total ask</b>	<b>2,057</b>	<b>1,698</b>	<b>919</b>	<b>284</b>	<b>0</b>

## Delivery Plan

6. The Delivery Plan set out in the current Strategic Plan includes the delivery of £225k for 2019-20, and a further £200k in 2020-21 of savings set out in the business case produced when Milton Keynes joined LGSS. The original plans for delivery of these savings are now out of date and the savings have been harder to deliver each year. We are now in a position where there are no detailed delivery plans in place for the remaining MKC business case savings and they have been removed from the new Delivery Plan.
7. In addition, some of the additional income targets have been revisited and only those that are expected to be fulfilled are now included in the Delivery Plan.
8. To offset these savings and income shortfalls in previous plans, a review of budgets has been undertaken to explore the potential for new savings to meet the requirements of the three councils. Without new savings the Delivery Plan for 2019-20 to 2023-24 is as set out in Table 2 with further savings still to be identified to meet the savings asks of all three Councils:

**Table 2:** Current Delivery Plan – 2019-20 to 2023-24

	2019-20	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000	£000
Council specific savings	292	50	0	0	0
Increased trading income	38	0	0	0	0
Service Line additional income targets	99	50	0	0	0
Contributions to (-)/from business case profiling	440	415	-207	0	0

reserve					
<b>TOTAL</b>	<b>869</b>	<b>515</b>	<b>-207</b>	<b>0</b>	<b>0</b>
Residual gap	<b>1,188</b>	<b>1,183</b>	<b>773</b>	<b>284</b>	<b>0</b>

9. The following paragraphs and tables set out further detail behind the numbers in Table 2 above:

10. Council specific savings – The Council specific savings agreed to date are set out in table 3a below.

**Table 3a:** Council Specific Savings

Service area	2019/20 £000	2020/21 £000	Description
Finance Operations	67	0	Reduction in posts following ERP implementation
HR and payroll	125	0	Reduction in posts following ERP implementation
Business Systems	100	50	Savings post ERP implementation
	<b>292</b>	<b>50</b>	

11. Increased trading income - The £38k increased trading income in the current Strategic Plan relates to Revenues and Benefits. This is already being received but had a part year impact in 2018-19 and this is the remaining impact in 2019-20.

12. Service Line additional income targets – the service line additional income targets as per the current Strategic Plan which have plans in place to deliver are set out in Table 3b below.

**Table 3b:** Service Line additional income targets

	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000
<b>Finance</b>					
Pensions (2019-20 and 2020-21 amounts already delivered)	-50	-50	0	0	0
<b>Business Services, Systems &amp; Change</b>					
OPUS LGSS recruitment agency (LGSS 49% share)	-49	0	0	0	0
<b>TOTAL</b>	<b>-99</b>	<b>-50</b>	<b>0</b>	<b>0</b>	<b>0</b>

13. Partnership contingency – the partnership contingency budget has effectively arisen because shared savings from MKC joining the LGSS partnership have been delivered ahead of the savings asks set out by the three partner councils in their medium term financial plans. Contributions totalling £648k are already secured and available to be applied to meet the savings asks whenever needed. The current Strategic Plan anticipates that £440k of the contingency budget will be used to meet

the savings asks of the partner councils in 2019-20 with the remainder applied in future years.

14. Residual gap - the previous Strategic Plan update for 2018-19 included a residual gap of £920k to the benefit of CCC and NCC which was planned to be met through growth in business. With the ongoing review of the future LGSS operating model, this growth has not been possible and the trading gap remains for 2019-20. However, NCC reduced their savings ask for 2019-20 by £460k to reflect the fact that it was not expected that additional trading would be secured to cover this gap.

### New proposals to address the savings gap

15. To address the residual gap in savings a review of LGSS budgets has been undertaken to explore the potential for new savings to meet the requirements of the three councils. The review has been difficult in the context of the uncertainty around the future operating model for LGSS and we have sought to avoid costs of change until the outcomes of the review are known. Proposed new savings are set out in Table 4 below:

**Table 4:** New Savings Proposals

	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000
<b>Strategic Management</b>					
Further rationalisation of the LGSS Leadership team and support	-195	0	0	0	0
Reduced Business Planning & Finance team	-26	0	0	0	0
Delete vacant posts in Customer Engagement and Business Development teams	-85	0	0	0	0
<b>Finance Directorate</b>					
Removal of Head of Service post (less additional payments for transfer of responsibilities)	-70	0	0	0	0
<b>TOTAL</b>	<b>-376</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

16. Some of these savings are in the central LGSS teams which we are aware are being considered for savings as part of the operating model review outcomes.
17. Following discussion at LGSS Management Board it was also agreed that the full available partnership contingency budget of £648k should be applied in 2019-20 to meet the savings asks of the partner councils. This will mean there will be no access to this budget to meet savings asks in future years but it helps to balance the budget in 2019-20 whilst the future operating model for LGSS is finalised.

### Resultant position in relation to savings asks

18. Table 5 below sets out the updated Delivery Plan including the new savings proposals and the full use of the partnership contingency.

**Table 5:** Updated Delivery Plan – 2019-20 to 2023-24

	<b>2019-20</b> <b>£000</b>	<b>2020-21</b> <b>£000</b>	<b>2021-22</b> <b>£000</b>	<b>2022-23</b> <b>£000</b>	<b>2023-24</b> <b>£000</b>
Shared savings proposals	376	0			
Council specific savings	292	50	0	0	0
Increased trading income	38	0	0	0	0
Service Line additional income targets	99	50	0	0	0
Contributions to (-)/from business case profiling reserve	648	0	0	0	0
<b>TOTAL</b>	<b>1,453</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>
Residual gap	<b>604</b>	<b>1,598</b>	<b>919</b>	<b>284</b>	<b>0</b>

19. The updated Delivery Plan in Table 5 above meets the savings ask set by Milton Keynes Council for 2019-20, but leaves a residual gap of savings to be identified to the benefit of CCC and NCC. This is due to:

- the additional savings asks from CCC and NCC in 2019-20 beyond the agreed shared savings;
- the pressure from the shortfall in trading income in 2018-19 and for CCC the remaining expectation that further savings would be delivered from trading which has not been achieved.

20. As a result of NCC reducing their savings ask for 2019-20 by £460k to reflect the risk around the future trading targets, much of the residual gap relates to CCC.

21. Beyond 2019-20, there are minimal delivery plans in place to meet the savings asks of the partner councils and this will need to be addressed once the future operating model for LGSS is confirmed.

### **Further work being undertaken**

22. To close the remaining savings gap of £604k for CCC and NCC, LGSS are working with the S151 officers to consider areas where services can be reduced to deliver the savings expectations.

23. The following tables set out the dedicated spend for CCC and NCC from which Council specific savings could be taken:

**Tables 6a and 6b:** Council specific costs 2018-19

	<b>Full Year Budget £'000</b>
<b>CCC Specific costs</b>	
Professional Finance CCC	1,555
CCC audit team	318
Financial assessments	513
Client funds	40
Debt recovery	223
Health, Safety & Wellbeing	127
HR Business Partners	977
Democratic Support Services	406
IT Operations – CCC	1,342
Service Delivery	194
	<b>5,696</b>

	<b>Full Year Budget £'000</b>
<b>NCC Specific costs</b>	
NCC audit team	292
MAP team	236
Financial assessments	455
Client funds	195
Debt recovery	223
Health, Safety & Wellbeing	211
HR Business Partners	749
IT Operations - NCC	217
	<b>2,578</b>

24. Many of the costs dedicated to CCC and NCC are in areas which we are aware the Councils are looking at in the context of the LGSS operating model review, alongside reviewing the costs of the central LGSS teams.

25. A further update will be brought to the next Joint Committee once further savings options have been considered with the S151 officers.

## Conclusion

26. In summary, there is a need to set an interim budget for LGSS for 2019-20 despite the uncertainties around the future operating model for LGSS. The proposals in this paper are based on the current operating model, and it is anticipated that a revised budget will be needed once the outcomes from the operating model review are finalised.

27. The Delivery Plan to meet the LGSS savings asks of the three councils as set out in the 2018-19 budget and Strategic Plan update has been revisited and further savings options have been considered to meet the savings asks of the Councils. In addition, it is now assumed that the partnership contingency budget will be used

in full in 2019-20 to meet the savings asks of the three partner councils which obviously puts pressure on the years beyond 2019-20.

28. Joint Committee are asked to consider and approve the updated Delivery Plan in Table 5 above. This will meet the savings ask of Milton Keynes Council but will leave a savings gap of £604k split between CCC and NCC. Further proposals will be brought to the next Joint Committee to address this gap.