

LGSS Joint Committee

31st October 2019

Subject: LGSS 2019-20 Budget Monitoring

Actions:

- 1. Note the financial monitoring position as at 31st August 2019**
- 2. Note the capital monitoring position regarding LGSS capital projects.**
- 3. Approve the use of £40k of LGSS reserves to fund ERP Off Network Access implementation and licensing costs to March 2021.**

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 2019-20. At the end of the year if there is a surplus as forecast, this 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 variance for Operational Services at the end of August 2019 is an overspend of £299k, of which:

LGSS Services

- £283k relates to shared service underspends;
- £49k is the net forecast underspend on services repatriating to MKC and CCC on 1st October 2019;
- £50k relates to an agreed overspend with NCC in relation to additional spend to deliver the debt service improvement plan.

Trading Account / CCC shortfall on savings

- £582k is a CCC specific pressure in relation to an agreed shortfall against the £919k savings target asked of LGSS by CCC for 2019-20. Some savings have been identified and agreed, but the remainder have been put on hold pending the outcomes of the review of the LGSS operating model.

Further detail is set out in Section 2 and Appendix 1.

	Previous LGSS Net Variance £'000	Full Year Budget £'000	Current LGSS Net Forecast Variance £000
Total LGSS Services	-227	42,014	-282
Trading Account / CCC shortfall on savings	582	-14,307	582
Total LGSS Operational	355	27,707	299

3. In the context of the current review of the LGSS operating model, a number of posts are being held vacant. In addition, 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 forecast underspend for LGSS, but are also impacting on service delivery.

4. The split of the forecast outturn between the 3 partner councils is shown below:

	CCC £'000	MKC £'000	NCC £'000	Total £'000
(Under)/overspend position by Council – transfer to LGSS reserve	-96	-92	-96	-283
Authority Specific pressures	582	0	50	632
Repatriating services	-73	24	0	-49
Total	413	-68	-46	299

5. Savings delivery – At this stage of the year the savings tracker is showing £1,426k of savings rated green, £100k rated amber and £582k of savings rated red. The red savings are all in relation to the shortfall in the savings plans against the £919k savings target for CCC.

Reserves position

6. The balance in LGSS reserves at 1 April 2019 was £764k of which £365k was committed and £399k uncommitted. Approval has been given in year for the use of a further £145k of LGSS reserves to fund continuing support for the main LGSS helpdesk solution to 2022. This has reduced uncommitted reserves to £254k.
7. LGSS Management Board on 3rd October 2019 considered a request for the use of £40k of LGSS reserves to fund ERP Off Network Access implementation and licensing costs to March 2021. The request was endorsed by the Board for approval by LGSS Joint Committee. Further detail is provided in an accompanying report.
8. Approval of this request will reduce uncommitted reserves to £214k. However, based on the current forecast underspend, transfers to reserves at year end of £283k are anticipated which will increase uncommitted reserves at year end to £497k. Further detail is provided in Appendix 3.

Budget Reconciliation

9. 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.

Capital Position

10. The capital position at the end of August 2019 for MKC and NCC can be seen in the table below, further detail is shown in Appendix 5. There are no CCC capital schemes for 2019-20.

Authority	Exp Budget £000	Forecast Total Life of Project £000	Over / (Under) Spend v Approved Exp £000
MKC	5,026	5,026	0
NCC	900	900	0

Section 2 - LGSS Operational – August 2019

	Previous Forecast Variance	Gross Exp Budget	External Income	Internal Income	Full Year Budget	Actuals to end August	Full Year Forecast Variance
	£000	£000	£000	£000	£000	£000	£000
Finance Services	-109	21,202	-6,383	-1,131	13,688	8,144	-64
Human Resources	64	11,495	-2,118	-339	9,038	2,875	56
Information Technology	27	22,296	-985	-3,539	17,772	8,335	27
Services							
Managing Director & Support	-209	2,481	-900	-65	1,516	642	-301
Total LGSS Services	-227	57,473	-10,386	-5,073	42,014	19,996	-282
Trading Account	0	6	-13,747	-11	-13,757	-2,109	0
Shortfall on CCC savings target	582	-550	0	0	-550	0	582
Total LGSS Operational	355	56,929	-24,133	-5,084	27,707	17,887	299

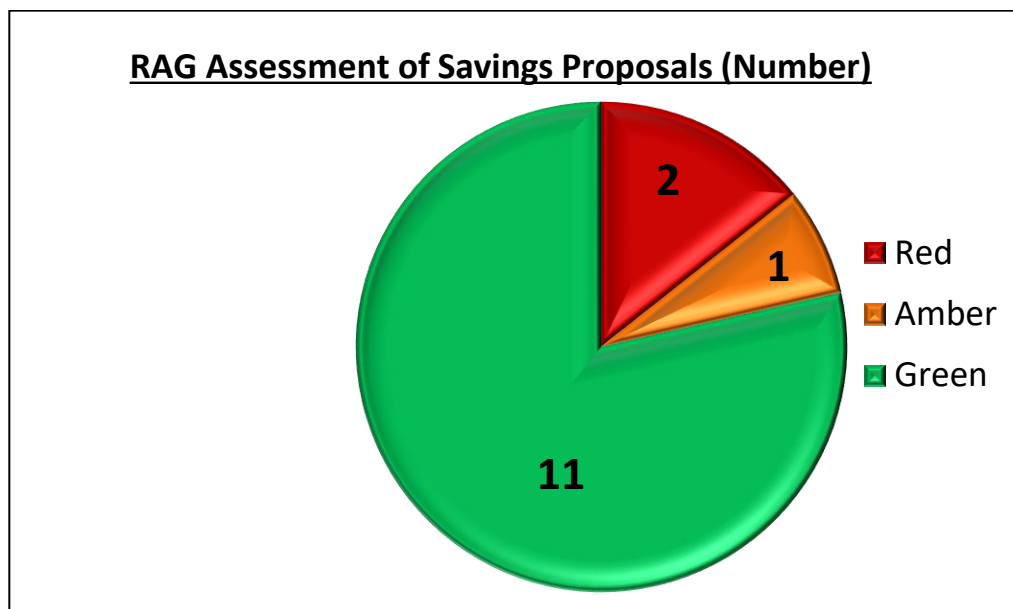
Revenue position

1. The forecast outturn variance on LGSS Services at the end of August 2019 is an underspend of £282k. This forecast underspend includes a net underspend of £49k in relation to services repatriating to CCC and MKC on 1st October, and £50k of NCC specific agreed pressure in relation to debt collection. In addition, there is an agreed CCC specific pressure of £582k from a shortfall on the £919k savings target for LGSS from CCC. Some savings have been identified and agreed against the CCC target, but the remainder have been put on hold pending the outcomes of the review of the LGSS operating model. The overspend position has been agreed with the CCC s151 officer.
2. Overall, this gives an LGSS operational forecast overspend of £299k representing a forecast overspend for CCC and forecast underspends for MKC and NCC as set out in para 4 of Section 1 above. Further detail and commentary on forecast over and underspends is provided at Appendix 1.

Savings delivery

3. The Budget Savings Tracker enables service managers to give a monthly update on the delivery of 2019-20 savings and benefits as set out in the LGSS Strategic Plan. A summary of this information is given at paragraph 5 below. This is monitored and reviewed on a monthly basis with LGSS Directors and the Managing Director.
4. At this stage of the year the savings tracker is showing £1,426k of savings rated green, £100k rated amber and £582k of savings rated red. The red savings are all in relation to the shortfall in the savings plans against the £919k savings target for CCC.
5. A summary of the final RAG rating of budget proposals by Directorate is shown overleaf:

Directorate Summary of Savings Proposals	Summary Proposal By Value and Directorate: LGSS savings				
	No. of proposals	Total Savings	Red	Amber	Green
Human Resources	0	0	0	0	0
Information Technology	0	0	0	0	0
Finance Services	3	152	0	0	152
Strategic Management	5	1,013	0	0	1,013
Council specific savings	6	943	582	100	261
Total	14	2,108	582	100	1,426



Red = savings which are at significant risk of not being delivered in this financial year.

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

6. The table below summarises the capital projects within LGSS. There are no capital projects funded by CCC in 2019-20. LGSS projects are all fully funded either from external funding sources or by the individual authorities discretionary funding. Appendix 3 gives further detail on a scheme-by-scheme basis.

Authority	Expenditure Profile							Funding Profile		
	Exp Budget	Prev Year's Exp	Actuals 2019-20	Forecast 2019-20	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
MKC	5,026	3,660	131	909	326	5,026	0	0	5,026	5,026
NCC	900	0	113	900	0	900	0	0	900	900

Appendix 1

2019-20 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 August	Full Year Forecast Variance
	£000	£000	£000	£000	£000	£000	£000
Finance Services Directorate:							
Finance Leadership	0	2	0	0	2	1	0
Professional Finance							
CCC	0	1,776	0	-145	1,631	866	0
MKC	24	1,954	-53	-64	1,861	857	24
Financial Operations	55	3,929	-212	-59	3,658	2,248	55
Debt & Income Service	5	647	-33	-15	599	398	50
Integrated Finance Services	-50	1,959	-627	-359	972	514	-50
Audit & Risk	-39	2,353	-422	-175	1,756	775	-39
Pensions Operations	0	4,738	-4,738	0	0	1,042	0
Norwich	0	1,174	0	0	1,174	509	0
NBC	0	665	-5	0	661	256	0
Procurement	-41	1,514	-234	-12	1,267	462	-41
Insurance	-63	491	-59	-302	130	216	-63
Total	-109	21,202	-6,383	-1,131	13,688	8,144	-64

The Finance Services Directorate is currently forecasting an underspend of £64k.

At Joint Committee on 26th July 2019 it was agreed that Professional Finance for CCC and MKC will repatriate to Cambridgeshire County Council and Milton Keynes Council from 1st October 2019.

The MKC Professional Finance Team are forecasting a £24k overspend due to unachievable income target and salary pressure due to restructure - vacancies have now been filled. This pressure will transfer back to MKC when the Professional Finance service is repatriated.

Finance Operations are reporting an overspend of £55k due to a delay in the delivery of 2019-20 strategic plan savings.

Debt and income services are reporting an NCC specific pressure of £50k in relation to the recruitment of 4 temporary posts for a period of 16 weeks as part of the agreed debt improvement plan.

Integrated Finance Services are reporting an underspend of £50k due to a vacant post which will not be filled pending the outcomes of the LGSS operating model review. There are other vacant posts across the service which are proving difficult to fill, but recruitment efforts continue and agency staff are being used to cover work in the meantime.

Within Audit and Risk an underspend of £39k is forecast due to an expected agency underspend of £30k and an underspend on computer licences.

In Procurement an underspend of £41k is forecast. The Head of Service post is being covered by acting up arrangements pending the conclusion of the LGSS operating model review which is creating salary savings.

Insurance are forecasting a £63k underspend as a result of vacancies in the early part of the year and additional income from academy schools.

Human Resources Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to August £000	Full Year Forecast Variance £000
Human Resources Directorate:							
HR Central Management	8	150	0	0	150	66	13
Policy & Strategy	-111	1,073	0	0	1,073	376	-111
Health, Safety & Wellbeing	-100	788	-132	-95	561	96	-100
HR Business Partners							
CCC	1	1,123	0	-27	1,096	475	-12
NCC	106	915	0	0	915	376	106
MKC	73	817	0	-55	762	366	33
NCC Schools Income	53	168	-256	10	-78	-16	53
MKC Schools	-4	159	-151	0	8	-46	36
Learning & Development	-3	3,951	-880	-63	3,009	877	-3
Transactional Services	40	2,351	-699	-109	1,542	304	40
Total	64	11,495	-2,118	-339	9,038	2,875	56

The HR Directorate is currently forecasting an overspend of £56k. This overspend is primarily the consequence of two unique service pressures in Transactional Services and the NCC HR Advisory Service.

The pressure in MKC Advisory service predominantly relates to historical Disclosure Barring Service (DBS) charges from 2018-19. DBS processes are under review to ensure timely recharging and invoicing.

Payroll services currently print payslips for employees who are not connected to the council networks. To deliver budgeted savings requirement of £125k, it had previously been assumed that the majority of savings could be met through an on-line solution. However, the security requirements for this online solution are not yet in place and are being worked on so this is a conservative estimate at this stage. The current overspend forecast of £40k does assume that some of the savings shortfall is picked up by the management of staff vacancies, but this is not a viable option for the longer term operation of the service.

There are significant pressures in the remaining services areas of the directorate, in particular a falling contribution from schools services (£89k) and additional resources to meet the demands of Children First Northamptonshire (£106k). These pressures are being managed by a combination of additional income generation by the Health Safety and Wellbeing team, and the freezing of recruitment to vacant posts, primarily in the Policy and Strategy team.

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 August £000	Full Year Forecast Variance £000
IT Directorate:							
IT Leadership	0	85	0	-24	60	60	0
Cambridgeshire							
County Council	275	2,386	0	-885	1,502	928	275
MKC IT	0	2,885	-1	-50	2,834	1,576	0
MKC IT Schools	0	482	-462	0	20	-225	0
Northamptonshire							
County Council	7	3,803	-20	-1,314	2,469	1,092	7
Norwich	0	2,606	-250	0	2,356	1,484	0
NHFT	0	3,450	-253	0	3,198	1,254	0
Strategy &							
Architecture	-215	896	0	-131	765	214	-215
Digital Services	-40	1,075	0	-637	439	441	-40
Commercial							
Management	0	833	0	-253	580	243	0
LGSS Business							
Systems & Change	0	3,794	0	-245	3,549	1,268	0
ERP Programme	0	0	0	0	0	0	0
Total	27	22,296	-985	-3,539	17,772	8,335	27

The IT Directorate is forecasting a net overspend of £27k.

The CCC IT team is forecasting a £275k overspend due to the additional costs of the Head of Service post being covered by agency in the early part of the year, shortfalls in expected income compared to budget, and additional costs in the helpdesk team to maintain service provision levels. Underspends are being held elsewhere within IT to largely offset this forecast overspend.

The NCC IT team is forecasting a £7k overspend due to a shortfall in anticipated recharges to the NCC capital programme.

Within Strategy and Architecture there is a forecast underspend of £215k due to several posts being held vacant. This includes the Head of Service post which is being covered by another member of the IT Leadership team. These vacancies will be held pending the outcomes of the LGSS operating model review and whilst pressures elsewhere in the IT Directorate are addressed.

The current forecast in the Digital Services team is an underspend of £40k which is in part due to income targets being met and the allocation of some costs to the Strategy and Architecture team.

ERP programme spend will be funded from LGSS reserves at year end as set out in Appendix 3.

Managing Director & Support

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to August £000	Full Year Forecast Variance £000
Managing Director & Support	-51	282	0	0	282	114	-51
LGSS Business Planning & Finance	-61	413	0	0	413	148	-61
Customer Engagement	-69	381	0	0	381	131	-66
Language Service	-19	769	-738	-65	-34	136	-19
Business Development	-10	159	-69	0	89	-4	-29
Democratic Support Services	0	477	-92	0	385	117	-73
Total	-209	2,481	-900	-65	1,516	642	-301

The forecast underspend of £51k on the Managing Director and Support line reflects a £20k 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 for 2018-19 and 2019-20.

There is a forecast underspend of £61k on the LGSS Business Planning and Finance line as a result of posts held vacant whilst the review of the future LGSS operating model is concluded. The team have also delivered savings of £40k across 2018-19 and 2019-20.

Customer Engagement are forecasting a £66k underspend as a result of posts held vacant whilst the review of the future LGSS operating model is concluded.

The Language Service had a really successful year in 2018-19 exceeding their income target by over £100k. Business has remained up for the start of 2019-20 resulting in a forecast over recovery of income of £19k at this stage of the year. The service are working on a business development plan whilst assessing the market, which has seen an increase in adhoc bookings. We are also currently monitoring other spend, due to potential reduction and/or channel shift from face to face to telephone assignments.

£85k of savings have been taken from the Business Development team in 2019-20. One post has been deleted and the remainder of the savings will be more than covered by underspends from vacant posts whilst the operating model work continues.

There is a £73k forecast underspend on CCC Democratic Services due to additional income from the combined authority, Fire and Education Finance, and underspends on printing and general office costs. At Joint Committee on 26th July 2019 it was agreed that Democratic Support Services will repatriate to Cambridgeshire County Council from 1st October 2019. The forecast underspend on this service will transfer back to CCC with the service.

Appendix 2

2019-20 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.

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to August £000	Full Year Forecast Variance £000
Cambridgeshire County Council:							
Insurance	0	2,139	0	0	2,139	31	0
Members Allowances	0	1,053	0	0	1,053	432	0
National Management Trainees	24	186	-9	0	177	63	24
Health & Safety Counselling	0	36	0	0	36	19	0
Greater Cambs Teaching Partnership	23	0	0	0	0	94	23
Information Technology	0	5,774	-195	-1,459	4,121	2,549	7
Total	47	9,189	-204	-1,459	7,527	3,188	53
Milton Keynes Council:							
Human Resources	-32	894	-174	-50	670	587	-32
Information Technology	-1	671	0	-667	5	110	-1
Total	-33	3,542	-174	-716	2,652	593	-33
Northampton Borough Council:							
Finance Managed	12	248	0	0	248	-60	12
Insurance	0	639	0	0	639	302	0
NBC Managed Income	-12	0	-886	0	-886	0	-12
Total	0	886	-886	0	0	242	0
Northamptonshire County Council:							
Social Care	0	0	0	0	0	-248	0
Occupational Health	-76	293	0	0	293	42	-76
Information Technology	0	3,588	0	0	3,588	2,814	54
Total	-76	3,881	0	0	3,881	2,346	-22

Cambridgeshire County Council

National management Trainees are reporting a £24k pressure due to non-achievement of savings targets, partially offset by a £20k underspend on pay.

The Greater Cambridgeshire Teaching Partnership is a grant funded partnership with Peterborough City Council (PCC). The CCC costs relate to staff supporting the initiative and PCC are invoiced quarterly. This is a net nil budget but the £23k overspend in the current year relates to an incorrect accruals adjustment at the end of 2018-19.

Milton Keynes Council

Savings are being achieved in the HR managed budget due to work being covered by a lower level of trade union resource than allowed for in the budget.

Northampton Borough Council

There is a £12k forecast variance on the NBC Finance Managed budget due to bank charges and computer licence agreements.

Northamptonshire County Council

Savings on the NCC occupational health managed budget were seen in 2018-19 and a saving of £27k was taken from the budget for 2019-20. Savings in the area are continuing into the current financial year and the budget is forecast to underspend by £76k. This is a demand led budget and can vary significantly according to staff needs but savings have been achieved by using the in-house Physician Associate to triage cases which has resulted in only the most complex cases being referred externally. Staff Health & Welfare costs are forecast to underspend by £43k and by £33k on Private contractor costs.

The overspend on the IT Managed budget of £54k is in relation to the costs of reinstallation of the previous e-mail security system following issues with the replacement system.

Appendix 3

Summary Position on LGSS Reserves

Reserve	Opening balance 1 April 2019 per Outturn report	Forecast Movements in year		Forecast closing balance 31 March 2020	Commentary on expected movements
		Transfers to reserves	Transfers from reserves		
	£000	£000	£000	£000	
LGSS General reserve	399	0	185	214	Forecast movement reflects agreement to use £145k to fund support costs for the LGSS helpdesk and request to use £40k to fund ERP Off Network Access implementation and licensing costs.
Committed reinvestments	365	185	353	197	Forecast movement reflects spend against committed reserves as set out below.
Underspends	0	283	0	283	Forecast movement reflects expected transfer to reserves of underspends at year end.
Total	764	468	538	694	

Committed reserves

	Agreed Usage	Prior Year Movements	Forecast Movements in year 2019/20	Forecast Movements in future years	Commentary on expected movements
	£000	£000	£000	£000	
ERP Gold	250	89	161	0	Stabilisation and 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, whilst delivering immediate improvements for the benefit of all, and Increased face to face user support and learning.
Helpdesk	50	0	50	0	Redesign end to end processes to support self-service and demonstrably improve the customer experience.
BACS system replacement	66	0	26	40	Replacement for existing solution essential to LGSS business continuity and associated risk/issue management. Funding will cover 2 years costs from June/July 2019.
AP duplicate payments checker solution	70	0	23	47	Prevention and management of duplicate payments/suppliers and facilitation of duplicate payment recovery. Funding will cover 3 years from April 2019.
Data capture solution costs	80	62	18	0	Costs for current data capture solution to June 2019.

Helpdesk solution support costs	145	0	65	80	Continued support for the LGSS helpdesk solution LANdesk to March 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	0	10	30	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.
TOTAL	701	151	353	197	

Appendix 4 – 2019-20 Budget Reconciliation

The below table shows how the 2019-20 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	8,161	10,254	9,166	27,582
<u>Movements</u>				
Delivery of new NCC saving from occupational health managed budget		27		27
Delivery of NCC saving from occupational health managed budget in 2018-19 permanently built into budget		45		45
Transfer from LGSS L&D to IT for IS trainers	-47			-47
Audit and Risk budget adjustment			120	120
LGSS Law reduced trading income for IT managed reflecting revised SLA	5			5
Move of Senior Admin post from MKC Professional Finance to MKC cost centre			-24	-24
Budget as at 31st August 2019	8,119	10,326	9,262	27,707

Appendix 5 LGSS Capital Budget Monitoring

The tables below show a summary of the Capital schemes for MKC and NCC as at August 2019. There are no LGSS capital schemes for CCC in 2019-20.

MKC	Expenditure Profile							Funding Profile		
All Figures in £000's Scheme Name	Exp Budget	Prev Year's Exp	Actuals 2019-20	Forecast 2019-20	Forecast Future Years	Total Life of Project	Over/ (Under) Spend v Approved Exp	External	Discretionary	Total Funding of Project
Data Hosting & Storage	3,557	3,262	107	188	0	3,557	0	0	3,557	3,557
Replacement Revenue & Benefits System	889	297	0	302	290	889	0	0	889	889
Replacement Frameworki	580	101	24	419	36	580	0	0	580	580
Total	5,026	3,660	131	909	326	5,026	0	0	5,026	5,026

NCC	Expenditure Profile							Funding Profile		
All Figures in £000's Scheme Name	Exp Budget	Prev Year's Exp	Actuals 2019-20	Forecast 2019-20	Forecast Future Years	Total Life of Project	Over/ (Under) Spend v Approved Exp	External	Discretionary	Total Funding of Project
Eastnet/WAN (Jan19 cabinet)	540	0	113	540	0	540	0	0	540	540
Passport Replacements and IP addressing	20	0	0	20	0	20	0	0	20	20
VMWare Replacement	200	0	0	200	0	200	0	0	200	200
Server 2008 Replacement	140	0	0	140	0	140	0	0	140	140
Total	900	0	113	900	0	900	0	0	900	900

