

For the public sector

LGSS Joint Committee

26th November 2020

Subject: LGSS 2020-21 Budget Monitoring

Actions:

- 1. Note the financial monitoring position as at 30th September including the final LGSS position for services which repatriated on 1st October 2020**

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.
2. The report this month is split between reporting the final position for those services which left LGSS at the end of September and repatriated to the partner councils, and reporting a forecast position for those services still within LGSS at the current time.
3. The surplus at the end of the transition period will be considered by the Lead Authority Board for reinvestment and future commitments, or for redistribution to the partner Councils.
4. For services still within LGSS at the current time the forecasts in this report are prepared on the basis of a full year forecast and the position will be updated once the transition to the Lead Authority model has been completed.

Revenue position

5. The forecast variance for LGSS Operational Services at the end of September 2020 is an underspend of £600k, of which:
 - £687k relates to achieved shared service underspends for services which have now repatriated to the partner councils
 - £528k relates to forecast full year equivalent underspends for services still within LGSS as at 1st October;
 - £615k relates to pressures on trading shared between CCC and NCC arising from the cessation of service provision to Norwich City Council and Northamptonshire Healthcare Foundation Trust, and a reduction in the agreed recharges to the Councils' pension funds.

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

6. 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	-1,144	35,441	-1,215
Trading Account	520	-9,879	615
Total LGSS Operational	-624	25,561	-600
Council specific savings budgets	932	-899	932
Total LGSS Budgets	308	24,663	332

7. In the context of the current transition of LGSS services to the new 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.
8. 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	-426	-364	-426	-1,215
Trading (surplus) / deficit	269	0	346	615
LGSS Operational Total	-156	-364	-80	-600
Shortfalls on Council specific savings targets	557	0	375	932
Total	401	-364	295	332

Reserves position

9. The balance in LGSS reserves at 1 April 2020 was £2,883k of which £1,166k was committed and £1,717k uncommitted.
10. On 20th August LGSS Joint Committee agreed the 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. Approval of these requests has reduced LGSS uncommitted reserves to £740k.
11. Based on the forecasts included in this report there is a forecast transfer to reserves at year end of £600k as shown in the outturn split table above. This will increase LGSS uncommitted reserves to £1,341k. Further detail is provided in Appendix 2.

Budgets by authority

12. 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 – September 2020

Repatriated Services

	Previous Full Year Forecast Variance	Full Year Budget	Half Year Budget	Actual to Sept	Variance on Repat'n
	£000	£000	£000	£000	£000
Finance Services	-46	4,315	2,154	2,095	-12
Human Resources	-362	7,610	3,809	3,330	-479
Information Technology Services	-9	9,924	4,962	4,766	-196
Total Repatriated	-417	21,849	10,926	10,191	-687

Services still within LGSS

	Previous Forecast Variance	Gross Exp Budget	External Income	Internal Income	Full Year Budget	Actuals to Sept	Full Year Forecast Variance
	£000	£000	£000	£000	£000	£000	£000
Finance Services	-70	9,128	-4,826	-551	3,751	4,396	-50
Human Resources	-166	2,552	-699	-109	1,744	295	-89
Information Technology Services	-497	7,437	-253	-269	6,915	4,994	-368
Managing Director & Support	6	2,302	-994	-125	1,182	460	-21
Total Services still within LGSS	-727	21,418	-6,772	-1,054	13,592	10,145	-528

LGSS Total

	Previous Forecast Variance	Gross Exp Budget	External Income	Internal Income	Full Year Budget	Actuals to Sept	Full Year Forecast Variance
Total LGSS Services	-1,144	49,551	-9,188	-4,923	35,441	20,336	-1,215
Trading Account	520	-176	-9,703	0	-9,879	-6,130	615
Total LGSS Operational	-624	49,375	-18,891	-4,923	25,561	14,206	-600
Shortfall on savings targets	932	-899	0	0	-899	0	932
Total LGSS Budgets	308	48,476	-18,891	-4,923	24,663	14,174	332

Revenue position

1. The forecast outturn variance on LGSS Services at the end of September 2020 is an underspend of £1,215k including an underspend variance of £687k at the point of repatriation for services which were removed from LGSS and returned to the partner councils on 1st October 2020.
2. There is a forecast pressure on trading to be shared between CCC and NCC of £615k as a result of: the cessation of service provision to Norwich City Council, an agreed reduction in the recharges to

the Councils' Pension Funds, the early departure of NHFT, all 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 £600k 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.

Appendix 1

2020-21 Monitoring Detail – LGSS Operational Budgets

Finance Services Directorate

Repatriated Services

	Previous Full Year Forecast Variance £000	Full Year Budget £000	Half Year Budget £000	Actual to Sept £000	Variance on Repat'n £000
Finance Services Directorate:					
Social Care Operations	5	2,303	1,148	1,132	-17
NBC	0	686	343	295	0*
Procurement	-51	1,326	663	668	5
Total	-46	4,315	2,154	2,095	-12

The repatriated services within the Finance Services Directorate ended with an underspend position of -£12k at the point of repatriation.

There was an underspend in the NCC Social Care Operations teams at the point of repatriation as a result of vacant posts.

*NBC Finance: At the point of repatriation there is an underspend on the NBC Finance budget of £48k as a result of recharging for a secondment and underspend within staff salaries. This underspend is not included in the numbers above because it will be split with NBC at year end, but the share of this underspend related to LGSS is reflected in the trading forecast upside from NBC.

In Procurement at the point of repatriation, a small overspend of £5k is reported. The budget manager is still confident that the year end position will result in an underspend of circa £51k, to be driven primarily by staff savings within NCC and MKC.

Services still within LGSS

	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
Finance Services Directorate:							
LGSS Director of Finance	0	2	0	0	2	0	0
Financial Operations & Income	21	1,542	-10	-67	1,465	802	18
Debt Service	-30	664	-10	0	654	304	-29
Audit & Risk	29	2,176	-440	-182	1,554	795	-8
Pensions Operations	0	4,250	-4,250	0	0	2,098	0
Norwich	0	0	0	0	0	6	0
Insurance	-89	494	-115	-302	81	397	-29
Total	-70	9,128	-4,826	-551	3,751	4,396	-50

The Finance Services Directorate services still within LGSS are forecasting a full year equivalent underspend of £50k.

Finance Operations and Income is forecasting an overspend of £18k as a result of historic savings targets which it has not yet been possible to deliver in full.

The Debt Service is forecasting an underspend of £29k due to vacant posts and work being covered within the wider team.

Internal Audit & Risk are forecasting an underspend of £8k. The income deficit previously reported as a result of the loss of work from Norwich City Council has now been offset by savings from vacant posts and by further audit income from additional audit work for LGSS Law and the Children's Trust. A decision was also taken to drop some of the non core audits from the plan this financial year in order to facilitate extra audit requirements which came about as a consequence of Covid 19. This has allowed the budget manager to balance the budget.

Pensions Operations: Within operations, the budget has been exceeded by an additional £108k on last month due to the fact that the agreed licencing agreement variation of charges for 2020/21 was received. This was an agreed variation and the budget manager was aware of it. However, at yearend, the pensions team balance all of these costs out against the councils collections and recharge to the service areas, in order to Net Nil the Pensions Fund Budget. This is the process the pensions Team assume every year and the income budget is netted to Nil. No variance is expected by the budget manager for the remainder of the financial year.

Insurance are forecasting an underspend of £29k. The Covid situation has led to delays in appointing to vacancies and reduced travel costs. In addition, £43k originates from income exceeding budgets due to income from Cambridge City and Norwich City Councils. These underspends / additional income are offset in part by costs which have been paid recently in relation to 2019/20 which were not accounted for at year end.

Human Resources Directorate

Repatriated Services

	Previous Full Year Forecast Variance	Full Year Budget	Half Year Budget	Actual to Sept	Variance on Repat'n
	£000	£000	£000	£000	£000
Human Resources Directorate:					
Policy & Strategy	-146	1,107	554	491	-62
Health, Safety & Wellbeing	7	568	284	236	-48
HR Business Partners					
CCC	-34	1,115	557	535	-22
NCC	-48	950	475	439	-36
MKC	49	838	423	404	-19
NCC Schools Income	8	-72	-36	-37	-1
MKC Schools	10	6	3	11	9
Learning & Development	-206	3,098	1,549	1,251	-299
Total	-362	7,610	3,809	3,330	-479

The repatriated services within the HR Services Directorate ended with an underspend position of £479k at the point of repatriation.

Within Policy and Strategy, the underspend on repatriation was £62k. The majority of this saving is attributable to significant staff savings gained due to the head of service 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 has been able to service its operations without any pressure to existing staff.

Health, Safety & Wellbeing underspent by £48k. Part of the underspend relates to vacant posts due to restructure and change in the team. The rest of the saving relates to reduction in demand for occupational health services.

Within CCC HR Advisory, there was a period end underspend of £22k due to underspends in non staffing costs including reduced travel costs during the pandemic.

NCC HR Advisory service is reporting a £36k underspend at the point of repatriation. Mainly this underspend is due to recharges for staffing costs for unitary, Children's Trust and work for South Northants Council. There has also been a reduction in training and travel cost under the current situation of Covid-19 which has resulted in some savings. Partially offsetting these underspends, the team has incurred unexpected costs for the replacement of old laptops and mobile phones for team members.

The net pressure of £10k in MKC Advisory service (-£19k for the Advisory Team, £9k over for schools) is the result of a fall in income for provision of HR Services to schools.

Within the Learning and Development team, the total underspend is £299k at midyear end. The underspend has increased by £93k as at midyear end close, when compared to last month. £27k of the additional underspend is driven by a recharge of GCTP costs (Greater Cambridgeshire Social Work Teaching Partnership). £77k (when compared to last month's mid year end forecast), was in response to the negative covid picture and (r rate on increase) managers have as a result revised their activity forecasts. This has resulted in a decline in income generation, but has been more than offset by falling venue hire (for training programmes) and consultancy costs. Some further staff changes (predominantly at the CCC end of operations) have further added to the increased underspend at the point of repatriation. As predicted during the turn of the new financial year, we anticipated the trend in recruitment slippage to continue from last financial year and this is further evidenced by the above.

Services still within LGSS

Human Resources Directorate

	Previous Forecast Variance	Gross Exp Budget	External Income Budget	Internal Income Budget	Full Year Budget	Actual to Sept	Full Year Forecast Variance
	£000	£000	£000	£000	£000	£000	£000
Human Resources Directorate:							
HR Central Management	-87	156	0	0	156	34	-33
Transactional Services	-79	1,587	-699	-109	1,587	261	-56
Total	-166	2,552	-699	-109	1,744	295	-89

The HR Services Directorate services still within LGSS are forecasting a full year equivalent underspend of £89k.

HR Central Management is underspent as a result of the LGSS Director of HR having been seconded into a post in NCC. LGSS is still contributing to the costs of the post but on a part time basis. The budget for this area will reduce for October reporting as the equalisation budgets for the HR services are reversed on repatriation. The forecast underspend has been reduced to £33k to reflect this anticipated budget transfer.

Transactional services are forecasting an underspend of £56k. As discussed in the previous reporting cycle the primary drivers for the underspend in this area are; 1: It was agreed that based on current staffing run-rate and trend, the full budget allocation for staff salaries would be utilised this year, even if further posts are to be filled (which are accounted for in the managers forecast). 2: offset by a reduction in income from provision of services to schools of £221k.

Information Technology Directorate

Repatriated Services

IT Directorate:	Previous Full Year Forecast Variance £000	Full Year Budget £000	Half Year Budget £000	Actual to Sept £000	Variance on Repat'n £000
Cambridgeshire County Council	15	2,286	1,143	1,166	23
MKC IT	142	3,164	1,582	1,582	0
MKC IT Schools	7	-67	-33	-56	-23
Northamptonshire County Council	-98	2,617	1,309	1,285	-24
Strategy & Architecture	-143	789	395	235	-160
Digital Services	116	475	237	230	-7
Commercial Management	-46	659	329	325	-5
Total	-9	9,924	4,962	4,766	-196

The repatriated services within the IT Directorate ended with an underspend position of £196k at the point of repatriation.

CCC IT Ops ended with a small overspend of £23k largely as a result of additional work undertaken in response to the Covid situation.

MKC IT concluded with a midyear underspend position of £23k (which includes income from provision of services to schools). The position was a favourable one despite there being shortfalls in project activity and an increase in costs at midyear across the board, due to the current climate having been impacted by Covid 19.

The NCC IT service is underspent by £24k. There have been increases in staff costs due to overtime and agency staff to cover extra work related to Future Northants and Covid-19. Some of this has been offset by recharges to other departments. There has been some extra cost (not budgeted for) incurred for computer hardware in order to facilitate staff to work from home during current environment (Covid-19). This extra cost related to Covid-19 is expected to offset against Covid-19 grant. Income is being realised from project Eclipse.

Strategy and Architecture ended with an underspend of £160k due to a number of vacancies within the service, including the Head of Service post which was being covered elsewhere within the IT Directorate.

The Digital Service ended with a small underspend of £7k based on CCC funding the costs of work done for the Covid 19 co-ordination hub which has reduced the forecast from last month by £85k.

Commercial Management ended with a small underspend of £5k on repatriation.

Services still within LGSS

IT 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	Full Year Forecast Variance £000
IT Leadership	-9	88	0	-24	64	56	35
Norwich	0	0	0	0	0	-1	0
NHFT	0	3,451	-253	0	3,199	2,969	0
LGSS Business Systems & Change	-488	3,897	0	-245	3,652	1,813	-403
Future Northants	0	0	0	0	0	156	0
Total	-497	7,437	-253	-269	6,915	4,994	-368

The IT Directorate services still within LGSS are forecasting a full year equivalent underspend of £368k.

IT Leadership is forecasting an overspend of £35k reflecting a small underspend of £9k related to the vacant Director of IT post offset by stranded costs for IT staff remaining with LGSS until later in the year as their posts are not part of the repatriated IT services.

LGSS Business Systems and Change are forecasting an underspend in the region of £403k due to significant work being carried out for the Future Northants and Children's Trust agendas which will be funded by those programmes. The underspend is being used to fund the CivicaPay (Icon) income management system upgrade project. This is being paid for from revenue rather than drawing down on reserves which had been previously approved for this purpose.

Work is being done on how to fund the cost of projects for those systems identified in the LGSS Business Systems development roadmap for 2021/22. The roadmap will be discussed and approved by the LGSS Business Systems Portfolio Board. It is perceived that there will be a funding shortfall to deliver the full roadmap, due to the savings target agreed for this service through the LGSS Review.

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 Sept £000	Full Year Forecast Variance £000
Managing Director & Support	-72	292	0	0	292	104	-72
LGSS Business Planning & Finance	-116	425	0	0	425	124	-130
Customer Engagement & Business Development	-126	562	-69	0	492	217	-113
Language Service	140	1,023	-925	-125	-27	-17	114
LGSS Transition	180	0	0	0	0	32	180
Total	6	2,302	-994	-125	1,182	460	-21

Overall the Managing Director and Support area is forecasting an underspend of £21k.

The forecast underspend of £72k on the Managing Director and Support line reflects a £32k 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 £130k 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 £113k 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 were down by around 80% in the early part of the year although have recovered significantly in recent weeks. Whilst costs were also down in the early part of the year, there is anticipated to be a shortfall for the service for the year which is currently forecast at £114k.

The LGSS Transition programme made allowance for work on the future provision of shared IT infrastructure. However, further work is needed in this area and LGSS Transition Board have agreed an extra £159k of costs to be funded from underspends elsewhere in LGSS. In addition, the HR team supporting LGSS services is expected to repatriate to the partner councils from 1st October 2020. Costs for continuing to support the remaining LGSS budget holders and the LGSS transition process until that process is complete will need to be recharged to LGSS via the transition budget at an estimated cost of £21k. The current forecast position on LGSS transition costs is set out below:

LGSS Transition Costs

	Funded costs £'000	Forecast costs £'000	Variance £'000
Redundancy and pension strain costs	489	489	0
IT systems costs	285	285	0
Additional costs of transition team	43	223	180
	817	997	180

Appendix 2

Summary Position on LGSS Reserves

Reserve	Opening balance 1 April 2020	Movements in year		Closing balance 31 March 2021	Commentary on expected movements
		Transfers to reserves	Transfers from reserves		
	£000	£000	£000	£000	
LGSS General reserve	1,717	600	976	1,341	Movements to reserves reflect new approvals for reserves usage as set out in the table below and transfer of underspends to reserves at year end.
Committed reinvestments	1,166	976	1,288	854	Movement reflects transfers from general reserves and spend against committed reserves as set out below.
Total	2,883	1,576	2,264	2,195	

Committed reserves

	Agreed Usage	Prior Year Movements	Forecast Movements in year 2020/21	Forecast Movements in future years	Commentary on expected movements
	£000	£000	£000	£000	
ERP Gold	250	89	0	161	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.
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.
TOTAL APPROVED	2,352	210	1,288	854	

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			24	24
Budget for CCC Networks staff from Managed	202			202
Additional IT funding to cover pressures	175			175
Pay award inflation and change in pension rate			178	178
Budget as at 30th September	7,068	10,203	7,391	24,663