

LGSS Joint Committee

10 September 2015

Subject: LGSS 2015-16 Budget Monitoring

Paper presented by: Matt Bowmer

Actions:

- 1. Note the financial monitoring position as at 31 July 2015.**
- 2. Note the summary position on carry forward balances.**

1. Summary Financial Position

	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Outturn £000	2014-15 Outturn £000	2015-16 Forecast £000
Brought Forward (1 April)	0	-1,489	-3,289	-2,893	-2,005
Reinvestment	0	604	2,402	2,091	2,005
Repayment to Norwich City Council	0	0	184	0	0
Distribution of prior year dividend	0	0	700	700	0
Actual/Forecast Surplus	-1,489	-2,404	-2,009	-652	435
Drawdown from Smoothing Reserve	0	0	0	0	-435
Carried Forward (31 March)	-1,489	-3,289	-2,012	-754	0
Reinvestment c/f	0	0	-881	-1,251	
LGSS Reserves (31 March)	-1,489	-3,289	-2,893	-2,005	

The Table above summarises:

- The outturn position for 2011-12 through to 2014-15 as previously reported to Joint Committee.
- The planned reinvestment for 2015-16 as detailed in Appendix 3.
- The 2015-16 forecast outturn position outlined in Section 2 of this report and detailed in Appendices 1(a) and 1(b). This would leave a balance of £318k on the Smoothing Reserve for carry forward approval to 2016-17.

2. 2015-16 Budget Monitoring – July 2015

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Full Year Forecast Variance £000
Trading Account	0	1,442	-25,853	-185	-24,596	794
Service Assurance	0	851	0	-16	835	0
Finance	0	14,555	-6,858	-654	7,043	0
People, Transformation and Transactions	0	23,284	-1,742	-1,203	20,339	-300
Information Technology	0	15,377	-39	-2,449	12,889	0
Law, Property and Governance	-40	7,503	-1,491	-1,365	4,647	-59
Total LGSS	-40	63,012	-35,983	-5,872	21,157	435

Any deficit on the Trading Account which is not offset by in-year underspends across LGSS Directorates will be met from the LGSS Smoothing Reserve at year end, (see page 2).

There are a number of ongoing, or recently closed, consultations across LGSS Directorates and the cost implications of potential redundancies have yet to be fully assessed. There is a significant risk, however, that costs will exceed the £107k balance in the redundancy reserve, (see Appendix 3).

Future reports will reflect the restructure of the Law, Property and Governance Directorate with both Audit and Risk Management and Property Operations moving across to the Finance Directorate. The former is considered to be a better Directorate fit and the latter will allow closer working with Strategic Assets. The Law, Procurement and Governance Directorate will then have a greater focus on the residual functions and on the delivery of the Legal ABS.

Further detail and commentary on the LGSS outturn position is provided at Appendices 1(a) and 1(b).

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Full Year Forecast Variance £000
Managed by LGSS on behalf of NCC:						
Finance	0	2,901	-277	0	2,624	0
People, Transformation and Transactions	0	1,405	-205	0	1,200	0
Information Technology	0	3,988	0	-46	3,942	0
Law, Property and Governance	200	5,350	-352	-50	4,948	200
Total NCC Managed	200	13,644	-834	-96	12,714	200
Managed by LGSS on behalf of NBC:						
Finance	0	220	0	0	220	0
People, Transformation and Transactions	0	129	0	0	129	0
Information Technology	0	1,271	0	0	1,271	0
Law, Property and Governance	0	821	0	0	821	0
Total	0	2,441	0	0	2,441	0
Managed by LGSS on behalf of CCC:						
Finance	-140	2,384	-4,435	0	-2,051	-140
Information Technology	31	4,106	0	-1,884	2,222	28
Law, Property and Governance	968	10,108	-419	-564	9,125	972
Total CCC Managed	859	16,598	-4,854	-2,448	9,296	860

Further detail and commentary on the forecast outturn position for budgets managed by LGSS on behalf of others is provided at Appendix 2.

Appendix 1 (a)

2015-16 Monitoring Detail – LGSS Budgets

Finance Directorate

	Previous Forecast Variance £000	Budget to July £000	Actual to July £000	Variance to July £000	Full Year Budget £000	Full Year Forecast Variance £000
Total Finance Directorate:						
Finance	0	2,330	2,344	14	5,627	0
Strategic Assets	0	573	470	-103	1,788	0
Pensions Operations	0	-620	-652	-32	-372	0
Total Finance Directorate	0	2,283	2,162	-121	7,043	0

The Directorate is forecasting a nil variance.

There is likely to be an underspend on the CIPFA Trainee budget in the Cambridge office due to a vacancy, partially offset by a reduction in anticipated 2015-16 CCC staff recharge income from Norwich and the cost of a joint class action re VAT on postage claims.

Strategic Assets is currently forecasting a zero outturn. The team is planning to recruit agency staff in the short-term in order to cover in-year vacancies whilst working towards implementing the new structure.

People, Transformation and Transactions Directorate

	Previous Forecast Variance £000	Budget to July £000	Actual to July £000	Variance to July £000	Full Year Budget £000	Full Year Forecast Variance £000
Total P,T&T Directorate:						
PTT Central Management	0	240	250	10	754	0
Policy & Strategy	0	453	230	-223	1,117	-200
HR Business Partners	0	894	663	-231	2,151	0
Organisation Development	0	914	454	-460	1,723	0
Business Transformation Team	0	435	132	-303	973	0
Transactional Services	0	2,009	1,305	-704	4,661	-200
Revenue and Benefits	0	1,912	1,744	-168	5,237	0
LGSS Programme Team	0	1,248	2,279	1,031	3,723	100
Total P,T&T Directorate	0	8,105	7,057	-1,048	20,339	-300

The Directorate is forecasting a £300k underspend.

The implementation of the Workforce Planning and Strategy team is planned for October 2015 and there is a forecast in-year underspend of £200k due to delays in recruitment.

The restructure across Transactional Services was implemented in August 2015 and has resulted in a number of vacancies which are actively being recruited to. The impact of the vacancies is expected to provide an in- year underspend of £200k.

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

Information Technology Directorate

	Previous Forecast Variance £000	Budget to July £000	Actual to July £000	Variance to July £000	Full Year Budget £000	Full Year Forecast Variance £000
Total IT Directorate						
Operations:						
Northamptonshire County Council	0	1,043	1,119	76	3,130	0
Cambridgeshire County Council	0	674	642	-32	1,308	0
Norwich	0	1,179	1,179	0	2,980	0
NHFT	0	1,428	1,428	0	3,495	0
Strategy & Architecture	0	359	386	27	864	0
Service Delivery	0	438	381	-57	1,112	0
Total Information Technology Directorate	0	5,121	5,135	14	12,889	0

The Directorate is forecasting a nil variance.

There is a pressure within the Directorate this year due to the additional recruitment of digital analysts to in source work previously procured at a premium by the retained organisations. It is currently anticipated that this will be covered by vacancy management and this will be reviewed over the coming months. There will potentially be the need to recover these costs in the future from NCC/CCC who will benefit from savings due to a reduction in the cost of these services.

There is also a pressure within Cambridge Operations due to the cost of agency cover for long-term sickness. The position will be reviewed over the coming months.

Law, Property and Governance Directorate

	Previous Forecast Variance £000	Budget to July £000	Actual to July £000	Variance to July £000	Full Year Budget £000	Full Year Forecast Variance £000
Total Law, Property and Governance Directorate:						
LGSS Law Ltd	0	-206	426	632	-893	0
Audit and Risk Management	0	228	214	-14	1,021	0
Procurement	0	432	431	-1	1,023	0
Property Operations	0	1,036	1,104	68	2,504	0
Democratic Support Services	-40	337	317	-20	992	-59
Total Law, Property and Governance Directorate	-40	1,827	2,492	665	4,647	-59

The Directorate is forecasting an underspend of £59k. This is due to additional income generation by Democratic Support Services from supporting the operation of the Northamptonshire Police and Crime Panel (£40k), and underspends in the Democratic Services Cambridge office due to an in-year vacancy and reduced expenditure on printing and other contracts (£19k).

A significant in-year underspend is likely in Audit and Risk Management due to efficiencies from the restructure and also the carrying of vacancies. This may be used to procure extra resources in the interim.

LGSS Law Ltd commenced trading on 1st of April and management accounts reports for the months of April and May have been received. During April, productivity of the team was significantly reduced due to problems with the ICT and accounts system implementations. However, the team returned a surplus of £21k on the month and this increased to £92k for May. Given the fact that this is the first two months in the life of a new business the results are regarded as an encouraging start.

Service Assurance, Customers and Strategy

	Previous Forecast Variance £000	Budget to July £000	Actual to July £000	Variance to July £000	Full Year Budget £000	Full Year Forecast Variance £000
Total Service Assurance, Customers and Strategy Directorate:						
Service Assurance & Customer Engagement	0	161	161	0	483	0
Leadership Support & Governance	0	91	99	8	257	0
Communications & Marketing	0	32	22	-10	95	0
Total Service Assurance Directorate	0	284	282	-2	835	0

Service Assurance has a couple of vacancies due to turnover within the team which will take a couple of months to recruit to, namely the Business Planning Manager role and the Executive Secretary to the Managing Director and the secretary to the Director of LPG, which is currently being covered by a temporary member of staff. The contracts officer vacancy, which is being covered by a temporary member of staff, is currently being reviewed. It is expected that all roles will be recruited to by the end of the calendar year.

With effect from 1 August there will be a realignment to reflect the transfer of budget and costs for leadership support to individual Directors into the appropriate Directorate budgets.

Appendix 1(b)

Please note that this Appendix is not for publication by virtue of paragraph 3 of part 1 of 12a of the Local Government Act 1972 and has been circulated separately.

Appendix 2

2015-16 Monitoring Detail – Budgets managed by LGSS on behalf of others.

	Previous Forecast Variance £000	Budget to July £000	Actual to July £000	Variance to July £000	Full Year Budget £000	Full Year Forecast Variance £000
Northamptonshire County Council:						
Property Operations	0	495	309	-186	3,645	0
Strategic Assets	0	1,199	1,156	-43	2,380	0
Finance	0	81	2	-79	244	0
Policy and Strategy	0	122	94	-28	370	0
Organisation Development	0	-124	-270	-146	830	0
Information Technology	0	1,681	2,718	1,037	3,942	0
Democratic Services	200	434	439	5	1,303	200
Total	200	3,888	4,448	560	12,714	200
Northampton Borough Council:						
Finance	0	73	41	-32	220	0
Policy and Strategy	0	43	1	-42	129	0
Information Technology	0	424	464	40	1,271	0
Insurance	0	685	679	-6	821	0
Total	0	1,225	1,185	-40	2,441	0
Cambridgeshire County Council:						
Insurance	0	0	0	0	1,483	0
Property Operations	968	3,399	4,054	655	6,642	972
External Audit	0	60	79	19	179	0
Strategic Assets	-140	-84	-245	-161	-3,053	-140
Members Allowances	0	306	311	5	1,000	0
Finance	0	35	166	131	823	0
Information Technology	31	1,380	1,709	329	2,222	28
Total	859	5,096	6,074	978	9,296	860

Northamptonshire County Council

There is a forecast overspend of £200k on the budgets managed by LGSS on behalf of Northamptonshire.

In Organisation Development, the target saving of £500k for 2015-16 has been offset by one-off funding transfers from the Fit for the Future and Children's Services Improvement Programmes. For 2016-17, this budget reduction will need to be achieved through changes to structure and methods of service delivery and work is already in progress to achieve this.

Democratic Services are forecasting a £200k overspend due to non delivery of target savings. Additionally, there will be realignment in coming months to reflect the transfer in of the budget and costs for political assistants and support staff from the Law, Property and Governance Operational budget.

There is a commitment to deliver £2m savings by 2017-18 through leverage of assets. Whilst the 2014-15 saving was achieved, this is increasingly challenging for 2015-16 and there is a potential risk of £320k slippage on this year's leverage of assets target. In previous years this area of the business has generated savings which have not always been known until later in the year and so there remains some confidence that this target will be achieved. This will continue to be monitored and regular updates provided.

Cambridgeshire County Council

There is a forecast overspend of £860k on the budgets managed by LGSS on behalf of Cambridgeshire.

Property Operations is forecasting an overall overspend of £972k, an increase of £4k from the figure reported last month. As previously reported, the pressure resulting from Children's Centre business rates received to date and an assessment of the potential liability for Children's Centres where bills have not yet been received is forecast to be in the region of £616k. Of this amount, £471k is the estimated liability for prior years billing and £145k relates to the estimated annual cost for 2015-16 onwards. The position will continue to be monitored and the forecast outturn updated accordingly when / if further business rates bills are received.

Full-year savings have now been realised in respect of the closure of Dryden House (£203k) and the cessation of Castle Court running costs (£347k). The prior-year savings target for a reduction of the property portfolio has therefore been fully achieved and progress is being made towards the new 2015-16 target (£400k), with a balance of £379k to be identified. In addition, there is a small pressure of £14k resulting from cancellation of prior year invoices that had been disputed and some minor budgeting corrections, and a forecast £5k building maintenance pressure. These pressures have been partially offset by a £42k reduction in the anticipated cost of Dryden House dilapidations.

Under the agreement to lease Castle Court, the 50% rental period is due to commence on 31st October 2015, subject to planning permission being granted. Should this be forthcoming, additional income of £281k would be generated in 2015-16, which would reduce the current reported overspend accordingly.

Within Strategic Assets there is a forecast underspend of £140k on County Farms, which is due to an increase in rent income following completion of sixty rent reviews during 2014-15.

There is an overall potential overspend of £28k within the IT managed budgets. The 2014-15 Business Plan included a £600k savings target against IT managed budgets. Substantial progress has been made towards meeting this target, but there is currently a potential shortfall of £45k, which is being offset by savings achieved on CPSN (£17k).

Appendix 3
Summary Position on Carry Forwards

Directorate	Service Area	Title	2013-14 Carry Forward	2014-15 Carry Forward	Total Carry Forward		Drawn Down	Needed 2016- 17	No Longer Required	Balance Awaiting Action
			£000	£000	£000		£000	£000	£000	£000
PT & T		Business re-engineering	53	0	53	*			-53	0
PT & T	Organisation & Workforce Development	Equipping employees to use Next Generation / Smarter Business mobile technology	0	319	319			-319		0
PT & T	Programme Management Office	Shared Service Solution	280	0	280			-280		0
PT & T	Revenue & Benefits	Systems Development	55	0	55					55
PT & T	PMO / Rev & Bens	Contingency to support above two projects by reducing reliance on partner contributions	0	100	100					100
Finance	Strategic Assets	Asset Management Database	142	0	142					142
Finance	Pensions	IT systems	100	0	100					100
LP & G	Legal	Company VAT & tax advice	2	0	2					2
LP & G	Democratic Support	CMIS	13	0	13					13
SAC & S	Service Assurance & Customer Engagement	Support delivery of trading targets	12	0	12					12
SAC & S	Service Assurance & Customer Engagement	Think as One, Deliver as One	22	0	22					22
IT	IT	Further in-sourcing to deliver ongoing revenue savings	0	100	100		-100			0
Cross-Cutting		Smoothing of trading income	500	253	753					753
Cross-Cutting		Redundancy reserve top-up	54	0	54	*			53	107
Total			1,233	772	2,005		-100	-599	0	1,306

* The £53k carry forward from 2013-14 for business re-engineering in P,T &T is no longer required and has been added to the redundancy reserve where there is an anticipated shortfall against potential demand.