

**LGSS Joint Committee**

**26<sup>th</sup> July 2019**

**Subject: LGSS 2019-20 Budget Monitoring**

**Actions:**

- 1. Note the financial monitoring position as at 31<sup>st</sup> May 2019**
- 2. Note the capital monitoring position regarding LGSS capital projects.**
- 3. Approve the use of LGSS reserves to fund support for the current LGSS helpdesk solution.**

## **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 May 2019-20 is an overspend of £561k, of which:

#### *LGSS Services*

- £21k relates to shared service underspends

#### *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.

	<b>Full Year Budget £000</b>	<b>Current LGSS Net Forecast Variance £000</b>
<b>Total LGSS Services</b>	<b>41,867</b>	<b>-21</b>
Trading Account / CCC shortfall on savings	-14,263	582
<b>Total LGSS Operational</b>	<b>27,604</b>	<b>561</b>

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:

	<b>CCC £'000</b>	<b>MKC £'000</b>	<b>NCC £'000</b>	<b>Total £'000</b>
(Under)/overspend position by Council	575	-7	-7	561

5. Savings delivery – At this stage of the year the savings tracker is showing £1,341k 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.
7. LGSS Management Board on 3<sup>rd</sup> July 2019 considered a request for the use of up to £214k of LGSS reserves to fund continuing support for the LGSS helpdesk solution LANdesk to 2022. The request was endorsed by the Board for approval by LGSS Joint Committee, subject to further work to minimise costs. Further detail is provided in Appendix 3.
8. Approval of this request for use of LGSS reserves will reduce uncommitted reserves to a minimum of £185k.

#### *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 May 2019-20 for NCC can be seen in the table below, further detail is shown in Appendix 5. There are no CCC capital schemes for 2019/20. MKC schemes will be reported in future months.

<b>Authority</b>	<b>Exp Budget</b>	<b>Forecast Total Life of Project</b>	<b>Over / (Under) Spend v Approved Exp</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
NCC	540	540	0

## Section 2 - LGSS Operational – May 2019

	Gross Exp Budget	External Income	Internal Income	Full Year Budget	Actuals to end May	Full Year Forecast Variance
	£000	£000	£000	£000	£000	£000
Finance Services	22,854	-8,273	-1,117	13,464	3,167	83
Human Resources	11,445	-2,118	-339	8,989	1,045	39
Information Technology	22,576	-1,073	-3,616	17,887	2,503	56
Services						
Managing Director & Support	2,510	-918	-65	1,527	288	-199
<b>Total LGSS Services</b>	<b>59,386</b>	<b>-12,382</b>	<b>-5,137</b>	<b>41,867</b>	<b>7,004</b>	<b>-21</b>
Trading Account	-500	-13,741	-11	-13,701	-432	0
Shortfall on CCC savings target	-550	-12	0	-562	0	582
<b>Total LGSS Operational</b>	<b>58,336</b>	<b>-26,135</b>	<b>-5,148</b>	<b>27,604</b>	<b>6,571</b>	<b>561</b>

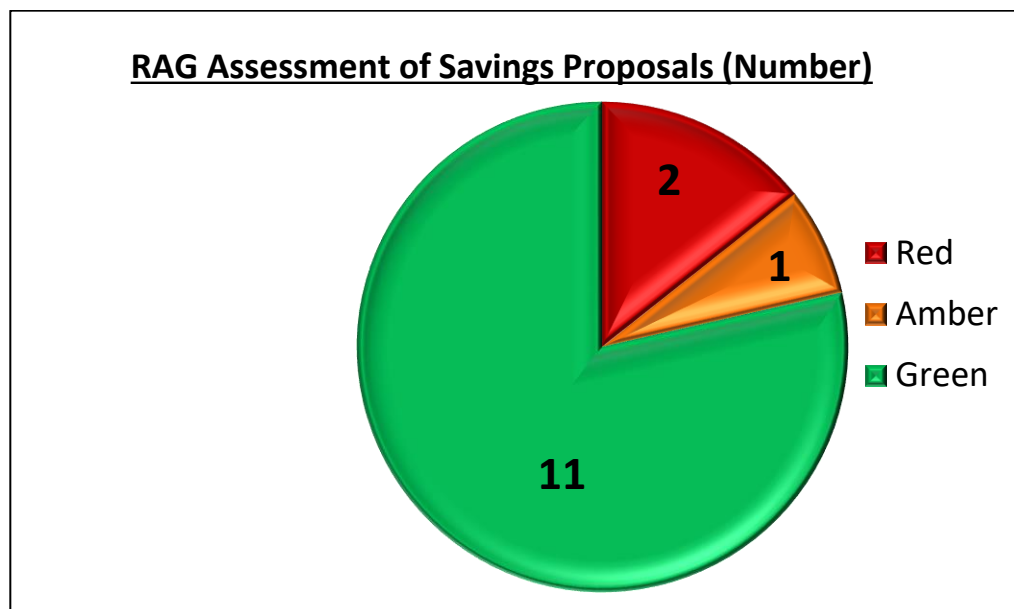
### Revenue position

1. The forecast outturn variance on LGSS Services at the end of May 2019 is an underspend of £21k. 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 overspend of £561k representing a forecast overspend for CCC and forecast underspends for MKC and NCC as set out in para 4 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 £1,341k 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 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
<b>Total</b>	<b>14</b>	<b>2,108</b>	<b>582</b>	<b>100</b>	<b>1,426</b>



**Red** = savings which are at significant risk of not being delivered in this financial year. Funding should be provided by NCC for the NCC specific ones.

**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. 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
NCC	540	0	113	540	0	540	0	0	540	540

## Appendix 1

### 2019-20 Monitoring Detail – LGSS Operational Budgets

#### Finance Services Directorate

	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to May £000	Full Year Forecast Variance £000
<b>Finance Services Directorate:</b>						
Finance Leadership	10	0	0	10	1	0
Professional Finance						
CCC	1,776	0	-145	1,631	316	0
MKC	1,978	-53	-64	1,862	301	31
Financial Operations	3,725	-305	-45	3,375	1,011	50
Debt & Income Service	887	-25	-15	847	230	5
Integrated Finance Services	1,959	-627	-359	972	65	0
Audit & Risk	2,231	-422	-175	1,634	223	0
Pensions Operations	6,543	-6,543	0	0	410	0
Norwich	1,067	0	0	1,067	201	0
NBC	681	-5	0	677	101	0
Procurement	1,514	-234	-12	1,267	206	0
Insurance	485	-59	-302	124	103	-2
<b>Total</b>	<b>22,854</b>	<b>-8,273</b>	<b>-1,117</b>	<b>13,464</b>	<b>3,167</b>	<b>83</b>

The Finance Services Directorate is currently forecasting an overspend of £83k.

The MKC Professional Finance Team are forecasting a £31k overspend due to unachievable income target and salary pressure due to restructure - vacancies have now been filled.

Finance Operations are reporting a pressure of £50k related to a delay in the delivery of 2019/20 strategic plan savings.

## Human Resources Directorate

	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to May £000	Full Year Forecast Variance £000
<b>Human Resources Directorate:</b>						
HR Central Management	150	0	0	150	26	8
Policy & Strategy	1,073	0	0	1,073	161	-3
Health, Safety & Wellbeing	788	-132	-95	561	15	-79
HR Business Partners						
CCC	1,123	0	-27	1,096	182	1
NCC	915	0	0	915	152	88
MKC	817	0	-55	762	149	8
NCC Schools Income	168	-256	10	-78	-53	51
MKC Schools	159	-151	0	8	-79	12
Learning & Development	3,901	-880	-63	2,959	588	-3
Transactional Services	2,352	-699	-109	1,543	-96	-44
<b>Total</b>	<b>11,445</b>	<b>-2,118</b>	<b>-339</b>	<b>8,989</b>	<b>1,045</b>	<b>39</b>

The HR Directorate is currently forecasting an overspend of £39k which the Directorate expect to be able to manage in year.

Health, Safety and Wellbeing is forecasting an underspend of £79k due to; additional income relating to recharge of support on NCC OH referrals and NCC Public Health contributions, staff savings related to turnover and part time recruitment on business co-ordinators.

NCC HR advisory requires more resource in 19/20 to meet the demands of CFN (Children First Northamptonshire). There is also pressure on schools income for NCC with a reported £51k shortfall due to a significant drop in schools income in 19/20. These pressures are partially offset by not recruiting to a vacant post.

It is estimated that there will be an underspend of approximately £44k in the payroll service. Vacancies are being held to offset anticipated shortfalls in schools income, and whilst plans to deliver agreed savings are finalised.



## Information Technology Directorate

	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to May £000	Full Year Forecast Variance £000
<b>IT Directorate:</b>						
IT Leadership	85	0	-24	60	22	20
Cambridgeshire						
County Council	2,613	0	-1,045	1,568	434	250
MKC IT	2,885	-1	-50	2,834	225	0
MKC IT Schools	482	-462	0	20	-247	0
Northamptonshire						
County Council	3,864	-39	-1,258	2,567	410	70
Norwich	2,609	-303	0	2,306	1,144	0
NHFT	3,450	-253	0	3,198	-618	0
Strategy &						
Architecture	885	-16	-104	765	107	-285
Digital Services	1,075	0	-637	439	519	0
Commercial						
Management	833	0	-253	580	102	0
LGSS Business						
Systems & Change	3,794	0	-245	3,549	404	0
ERP Programme	0	0	0	0	0	0
<b>Total</b>	<b>22,576</b>	<b>-1,073</b>	<b>-3,616</b>	<b>17,887</b>	<b>2,503</b>	<b>56</b>

The IT Directorate is forecasting a net overspend of £56k.

IT Leadership is forecasting a pressure as a result of the use of agency staff facilitating handover to the new Head of CCC IT.

The CCC IT team is forecasting a £250k 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 £70k overspend due to a shortfall in anticipated recharges to the NCC capital programme.

Within Strategy and Architecture there is a forecast underspend of £285k 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.

There are potential shortfalls on the income targets for the Digital service and work is being undertaken to ensure costs incurred remain aligned to income expectations.

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

### Managing Director & Support

	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to May £000	Full Year Forecast Variance £000
Managing Director & Support	282	0	0	282	37	-50
LGSS Business Planning & Finance	413	0	0	413	47	-42
LGSS Restructures	0	0	0	0	0	0
Customer Engagement	387	0	0	387	53	-68
Language Service	769	-738	-65	-34	48	-21
Business Development	181	-87	0	94	27	-18
Democratic Support Services	477	-92	0	385	76	0
<b>Total</b>	<b>2,510</b>	<b>-918</b>	<b>-65</b>	<b>1,527</b>	<b>288</b>	<b>-199</b>

The forecast 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 £42k 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 £68k underspend as a result of posts held vacant whilst the review of the future LGSS operating model is concluded.

£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.

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 £21k 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.

## 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.

	<b>Gross Exp Budget £000</b>	<b>External Income Budget £000</b>	<b>Internal Income Budget £000</b>	<b>Full Year Budget £000</b>	<b>Actual to May £000</b>	<b>Full Year Forecast Variance £000</b>
<b>Cambridgeshire County Council:</b>						
Insurance	2,139	0	0	2,139	17	0
Members Allowances	1,046	0	0	1,046	174	0
National Management Trainees	186	-9	0	177	28	0
Health & Safety Counselling	36	0	0	36	3	0
Greater Cambridgeshire Teaching Partnership	0	0	0	0	64	0
Information Technology	6,030	-195	-1,459	4,376	1,683	0
<b>Total</b>	<b>9,438</b>	<b>-204</b>	<b>-1,459</b>	<b>7,775</b>	<b>1,969</b>	<b>0</b>
<b>Milton Keynes Council:</b>						
Human Resources	146	0	0	146	57	-2
Information Technology	2,115	0	-451	1,664	145	-6
<b>Total</b>	<b>2,261</b>	<b>0</b>	<b>-451</b>	<b>1,810</b>	<b>203</b>	<b>-8</b>
<b>Northampton Borough Council:</b>						
Finance Managed	260	0	0	260	-60	0
Insurance	781	0	0	781	302	0
NBC Managed Income	0	-1,041	0	-1,041	0	0
<b>Total</b>	<b>1,041</b>	<b>-1,041</b>	<b>0</b>	<b>0</b>	<b>242</b>	<b>0</b>
<b>Northamptonshire County Council:</b>						
Social Care	0	0	0	0	-174	0
Occupational Health	293	0	0	293	-39	-76
Information Technology	3,588	0	0	3,588	1,037	0
<b>Total</b>	<b>3,881</b>	<b>0</b>	<b>0</b>	<b>3,881</b>	<b>824</b>	<b>-76</b>

#### 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.

## **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	214	185	Forecast movement reflects request to use reserves to fund support costs for the LGSS helpdesk
Committed reinvestments	365	214	412	167	Forecast movement reflects spend against committed reserves as set out below.
Underspend	0	14	0	14	Forecast movement reflects forecast transfer to reserves of underspend.
<b>Total</b>	<b>764</b>	<b>228</b>	<b>626</b>	<b>366</b>	

## 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 with expected implementation 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	214	0	134	80	New request for use of up to £214k of LGSS reserves to provide continued support for the LGSS helpdesk solution LANdesk to March 2022. A project

					<p>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 request is to provide continued support until such time as new arrangements are brought into effect.</p>
<b>TOTAL</b>	<b>730</b>	<b>151</b>	<b>412</b>	<b>167</b>	

#### 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
<b><u>Movements</u></b>				
Funding transferred to Local Safeguarding Children Board for staff training	-50			-50
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
<b>Budget as at 31<sup>st</sup> May 2019</b>	<b>8,111</b>	<b>10,326</b>	<b>9,166</b>	<b>27,604</b>

## **Appendix 5 LGSS Capital Budget Monitoring**

The tables below show a summary of the Capital schemes for NCC as at May 2019. There are no LGSS capital schemes for CCC in 2019/20. Information is not yet available for MKC.

<b>NCC</b>	<b>Expenditure Profile</b>							<b>Funding Profile</b>		
<b>All Figures in £000's Scheme Name</b>	<b>Exp Budget</b>	<b>Prev Year's Exp</b>	<b>Actuals 2019-20</b>	<b>Forecast 2019-20</b>	<b>Forecast Future Years</b>	<b>Total Life of Project</b>	<b>Over/ (Under) Spend v Approved Exp</b>	<b>External</b>	<b>Discretionary</b>	<b>Total Funding of Project</b>
Eastnet/WAN (Jan19 cabinet)	540	0	113	540	0	540	0	0	540	540