

LGSS Joint Committee

21 August 2015

Subject: LGSS 2015-16 Budget Monitoring

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Actions:

- 1. Note the financial monitoring position as at 30 June 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 | -40 |
| | | | | | |
| Carried Forward (31 March) | -1,489 | -3,289 | -2,012 | -754 | -40 |
| | | | | | |
| Reinvestment c/f | 0 | 0 | -881 | -1,251 | 0 |
| | | | | | |
| LGSS Reserves (31 March) | -1,489 | -3,289 | -2,893 | -2,005 | -40 |

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).

2. 2015-16 Budget Monitoring – June 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 | -26,238 | -185 | -24,981 | 0 |
| Service Assurance | 0 | 851 | 0 | -16 | 835 | 0 |
| Finance | 0 | 14,555 | -6,858 | -654 | 7,043 | 0 |
| People, Transformation and Transactions | 0 | 23,382 | -1,742 | -1,203 | 20,437 | 0 |
| Information Technology | 36 | 15,277 | -39 | -2,449 | 12,789 | 0 |
| Law, Property and Governance | 0 | 7,510 | -1,491 | -1,365 | 4,654 | -40 |
| Total LGSS | 36 | 63,017 | -36,368 | -5,872 | 20,777 | -40 |

Although there is a forecast deficit on the Trading Account, (see Appendix 1(b)), this is not shown in the Table above as it will be met from the LGSS Smoothing Reserve, (see Appendix 3), if not offset by in-year underspends across LGSS Directorates.

There is an outstanding change control that has LGSS signed agreement and is awaiting NBC signature to adjust the NBC/LGSS Revenues and Benefits PDA savings targets for 2015-16 onwards having recognised a surplus in previous years. This is required to offset a potential pressure of £231k.

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 £54k 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 | 1,155 | -205 | 0 | 950 | 0 |
| Information Technology | 0 | 4,218 | 0 | -46 | 4,172 | 0 |
| Law, Property and Governance | 200 | 5,398 | -352 | -50 | 4,996 | 200 |
| Total NCC Managed | 200 | 13,672 | -834 | -96 | 12,742 | 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 | 45 | 4,123 | 0 | -1,884 | 2,239 | 31 |
| Law, Property and Governance | 501 | 10,101 | -419 | -564 | 9,118 | 968 |
| Total CCC Managed | 406 | 16,608 | -4,854 | -2,448 | 9,306 | 859 |

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 June £000 | Actual to June £000 | Variance to June £000 | Full Year Budget £000 | Full Year Forecast Variance £000 |
|-----------------------------------|----------------------------------------------------|------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|-----------------------------------------------------|
| Total Finance Directorate: | | | | | | |
| Finance | 0 | 1,794 | 1,822 | 28 | 5,627 | 0 |
| Strategic Assets | 0 | 447 | 341 | -106 | 1,788 | 0 |
| Pensions Operations | 0 | 579 | 501 | -78 | -372 | 0 |
| Total Finance Directorate | 0 | 2,820 | 2,664 | -156 | 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.

People, Transformation and Transactions Directorate

| | Previous Forecast Variance £000 | Budget to June £000 | Actual to June £000 | Variance to June £000 | Full Year Budget £000 | Full Year Forecast Variance £000 |
|-------------------------------------|----------------------------------------------------|------------------------------------|------------------------------------|--------------------------------------|------------------------------------------|-----------------------------------------------------|
| Total P,T&T Directorate: | | | | | | |
| PTT Central Management | 0 | 180 | 192 | 12 | 753 | 0 |
| Policy & Strategy | 0 | 451 | 155 | -296 | 1,392 | 0 |
| HR Business Partners | 0 | 675 | 493 | -182 | 2,151 | 0 |
| Organisation Development | 0 | 735 | 406 | -329 | 1,723 | 0 |
| Business Transformation Team | 0 | 326 | 79 | -247 | 973 | 0 |
| Transactional Services | 0 | 1,580 | 985 | -595 | 4,587 | 0 |
| Revenue and Benefits | 0 | 1,434 | 1,277 | -157 | 5,237 | 0 |
| LGSS Programme Team | 0 | 936 | 1,924 | 988 | 3,621 | 0 |
| Total P,T&T Directorate | 0 | 6,317 | 5,511 | -806 | 20,437 | 0 |

The Directorate is forecasting a nil variance. There are a number of services areas within the Directorate currently going through restructures and at this stage it is expected that assigned savings targets will be met. There are no immediate risks or issues concerning the financials and the aim is to be in a position in the coming months to provide a firm position once restructures are implemented.

At the end of 2014-15 the Directorate bid for a carry forward to provide support to both shareholding authorities and LGSS in equipping employees to use Next Generation/ Smarter Business mobile technology. The amount allocated was £319k, (see Appendix 3). It was always intended that this funding would be used over a twelve to eighteen month period and so there will be an unspent balance at the end of 2015-16 which will need to be carried forward to 2016-17 to complete the agreed work programme.

Information Technology Directorate

| | Previous Forecast Variance £000 | Budget to June £000 | Actual to June £000 | Variance to June £000 | Full Year Budget £000 | Full Year Forecast Variance £000 |
|-------------------------------------------------|------------------------------------------|---------------------------|---------------------------|-----------------------------|--------------------------------|-------------------------------------------|
| Total IT Directorate | | | | | | |
| Operations: | | | | | | |
| NCC | 0 | 888 | 893 | 5 | 3,030 | 0 |
| CCC | 36 | 506 | 500 | -6 | 1,308 | 0 |
| Norwich | 0 | 873 | 877 | 4 | 2,980 | 0 |
| NHFT | 0 | 874 | 952 | 78 | 3,495 | 0 |
| Strategy & Architecture | 0 | 259 | 287 | 28 | 864 | 0 |
| Service Delivery | 0 | 316 | 282 | -35 | 1,112 | 0 |
| Total Information Technology Directorate | 36 | 3,716 | 3,790 | 74 | 12,789 | 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 June £000 | Actual to June £000 | Variance to June £000 | Full Year Budget £000 | Full Year Forecast Variance £000 |
|--------------------------------------------------------|------------------------------------------|---------------------------|---------------------------|-----------------------------|--------------------------------|-------------------------------------------|
| Total Law, Property and Governance Directorate: | | | | | | |
| LGSS Law Ltd – Legal Services | 0 | -116 | 87 | 203 | -893 | 0 |
| Audit and Risk Management | 0 | 68 | 120 | 52 | 1,021 | 0 |
| Procurement | 0 | 341 | 315 | -26 | 1,023 | 0 |
| Property Operations | 0 | 800 | 843 | 43 | 2,511 | 0 |
| Democratic Support Services | 0 | 253 | 234 | -19 | 992 | -40 |
| Total Law, Property and Governance Directorate | 0 | 1,346 | 1,599 | 253 | 4,654 | -40 |

The Directorate is forecasting an underspend of £40k. This is due to additional income generation by Democratic Support Services from supporting the operation of the Northamptonshire Police and Crime Panel.

Service Assurance, Customers and Strategy

| | Previous Forecast Variance £000 | Budget to June £000 | Actual to June £000 | Variance to June £000 | Full Year Budget £000 | Full Year Forecast Variance £000 |
|---------------------------------------------------------------------|------------------------------------------|---------------------------|---------------------------|-----------------------------|--------------------------------|-------------------------------------------|
| Total Service Assurance, Customers and Strategy Directorate: | | | | | | |
| Service Assurance & Customer Engagement | 0 | 121 | 122 | 1 | 483 | 0 |
| Leadership Support & Governance | 0 | 68 | 75 | 7 | 257 | 0 |
| Communications & Marketing | 0 | 24 | 13 | -11 | 95 | 0 |
| Total Service Assurance Directorate | 0 | 213 | 210 | -3 | 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 June £000 | Actual to June £000 | Variance to June £000 | Full Year Budget £000 | Full Year Forecast Variance £000 |
|-----------------------------------------|----------------------------------------------------|------------------------------------|------------------------------------|--------------------------------------|------------------------------------------|-----------------------------------------------------|
| Northamptonshire County Council: | | | | | | |
| Property Operations | 0 | 451 | 172 | -279 | 3,693 | 0 |
| Strategic Assets | 0 | 1,168 | 1,094 | -74 | 2,380 | 0 |
| Finance | 0 | 61 | 2 | -59 | 244 | 0 |
| Policy and Strategy | 0 | 90 | 73 | -17 | 370 | 0 |
| Organisation Development | 0 | 81 | -196 | -277 | 580 | 0 |
| Information Technology | 0 | 1,318 | 2,711 | 1,393 | 4,172 | 0 |
| Democratic Services | 200 | 326 | 291 | -35 | 1,303 | 200 |
| Total | 200 | 3,495 | 4,147 | 652 | 12,742 | 200 |
| Northampton Borough Council: | | | | | | |
| Finance | 0 | 55 | 41 | -14 | 220 | 0 |
| Policy and Strategy | 0 | 32 | 0 | -32 | 129 | 0 |
| Information Technology | 0 | 318 | 106 | -212 | 1,271 | 0 |
| Insurance | 0 | 685 | 679 | -6 | 821 | 0 |
| Total | 0 | 1,090 | 826 | -264 | 2,441 | 0 |
| Cambridgeshire County Council: | | | | | | |
| Insurance | 0 | 0 | 0 | 0 | 1,483 | 0 |
| Property Operations | 501 | 3,464 | 3,517 | 53 | 6,635 | 968 |
| External Audit | 0 | 45 | -2 | -47 | 179 | 0 |
| Strategic Assets | -140 | -173 | -323 | -150 | -3,053 | -140 |
| Members Allowances | 0 | 247 | 230 | -17 | 1,000 | 0 |
| Finance | 0 | 144 | 27 | -117 | 823 | 0 |
| Information Technology | 45 | 964 | 932 | -32 | 2,239 | 31 |
| Total | 406 | 4,691 | 4,381 | -310 | 9,306 | 859 |

Northamptonshire County Council

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 forecast overspend of £859k within the budgets managed by LGSS on behalf of Cambridgeshire.

Property Operations is forecasting an overall overspend of £968k, an increase of £467k from the figure reported last month. Following on from last month's reported pressure in relation to Children's Centre business rates bills received to date, further analysis has been undertaken to assess the potential liability for Children's Centres where bills have not yet been received. Applying an average based on costs identified to date the in-year pressure across the whole portfolio, including liability for prior years, is forecast to be in the region of £616k, with an associated ongoing annual pressure of £145k. The position will continue to be monitored and 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 £10k resulting from cancellation of disputed prior year invoices 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.

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.

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 £31k.

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 |
| PT & T | Organisation & Workforce Development | Equipping employees to use Next Generation / Smarter Business mobile technology | 0 | 319 | 319 | | | | | 319 |
| PT & T | Programme Management Office | Shared Service Solution | 280 | 0 | 280 | | | | | 280 |
| 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 |
| Cross-Cutting | | Smoothing of trading income | 500 | 253 | 753 | | | | | 753 |
| Cross-Cutting | | Redundancy reserve top-up | 54 | 0 | 54 | | | | | 54 |
| Total | | | 1,233 | 772 | 2,005 | | 0 | 0 | 0 | 2,005 |