

## **Management Accounts Report: Period 6 September 2016**

### **Purpose**

For review.

### **Summary**

This monitoring report presents a summary of the LGA's financial performance 1 April to 30 September 2016.

### **Recommendation**

That the LGA Leadership Board review the LGA's six month Management Accounts.

### **Action**

Officers to initiate any required action.

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## **Management Accounts Report: Period 6 September 2016**

### **Executive Summary**

1. The Management Accounts to the 30 of September show for the LGA and IDeA, our operating entities, a £1,976k surplus for the year, and an improvement on the current budget of £443k.
2. This improvement in overall position has been created mainly through being requested to deliver higher than budget level of external grant programs, increasing contributions to our overall overhead recovery. More detailed descriptions of the variances at a Group Accounts level, and by entity are shown in the sections below.
3. Delivering this level of surplus in this year will allow an increased contribution to the Risk and Contingency reserve created to help fund developments that provide opportunities to save costs or generate additional commercial income, fund external loan repayments, and also to cover the potential risks to the LGA medium term plan (such as increased pension deficit payments).
4. The 2 property companies show reduction in the contribution from General reserves to fund net operating costs during the redevelopment of Local Government House and Layden House. This net reduction is delivered by significant changes to each company's budget requirements, arising from the delay in achieving planning permission for the Layden House project, and also the decision to decant from Local Government House.

### **Consolidated Accounts – Appendix 1**

5. At the end of the 2015/16 Financial Year, the balances in Table 1 below were allocated to a Risk and Contingency Reserve designed to cover a number of unidentified costs, including costs included in a year, to save costs over the longer term.
6. Following the review of period 5 (August 2016) the Strategic Management Team approved the following virements from funds within the Risk and Contingency Reserve to cover additional restructuring costs that were delayed from payment in the last financial year, but will deliver savings in the future. The table below shows the impact of these virements on the opening balance on these reserves.

**Table 1 – Risk and Contingency Reserve Balance**

<b>Entity</b>	<b>2015-16 Balance</b>	<b>Approved Virement</b>	<b>Remaining Balance</b>
	£'000	£'000	£'000
LGA	661	78	583
IDeA	1,126	115	1,011

7. After taking into account these adjustments to the Current Budget the LGA's projected outturn deficit (before contributions to and from reserves, and pensions deficits is currently £542k better than the Current budget. The element of this relating to the LGA and IDEA is £443k improving the potential additional contribution to the Risk and Contingency reserve this year to this year to £1.976m.
8. The table below shows the overall impact of the forecast variances on an entity by entity basis. This is important for the LGA and IDEA where the Strategy is to balance expenditure and income this year and the next years contributing to or using the Risk and Contingency reserve to balance each year as required. The amber highlights the adverse forecasts.

**Table 2**

Table 2

LGA Group Budget Monitoring Report , September 2016-17				Summary by Entity			
	Year to date			Full Year 2016/17			
Net Expenditure / (Income)	Budget YTD	Actuals YTD	Variance YTD	Original Budget for year	Current Budget for Year	Forecast Outturn	Budget to Outturn Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Operating entities							
LGA	(4,513)	(5,010)	(497)	(193)	(115)	(33)	82
Contribution to Pensions Deficits	0	0	0	0	0	0	0
LGA Total	(4,513)	(5,010)	(497)	(193)	(115)	(33)	82
IDEA	(1,668)	(7,680)	(6,012)	(4,180)	(4,065)	(4,590)	(525)
Contribution to Pensions Deficits	1,323	1,112	(211)	2,647	2,647	2,647	0
IDEA Total	(345)	(6,568)	(6,223)	(1,533)	(1,418)	(1,943)	(525)
Operating entities total	(4,858)	(11,578)	(6,720)	(1,726)	(1,533)	(1,976)	(443)
Property companies							
LGMB	404	598	194	804	804	874	70
LGAP	1,074	1,092	18	1,369	1,369	1,200	(169)
Property companies total	1,478	1,690	212	2,173	2,173	2,074	(99)
Group total	(3,380)	(9,888)	(6,508)	447	640	98	(542)
* Note the Current budget includes approved budget virements in the Financial Year							

9. The main causes of the positive variances at a **group** level shown in Appendix 1 for period 6 are:

**Table 3**

	<b>£'000</b>
1. Finance and Policy -Salary savings contributing to the Corporate budget for vacancy turnover savings - Programme Savings	(211) (54)
2. Workforce, Leadership and Productivity	(95)
3. Communications – Additional External Room Hire savings arising ability to use internal rooms at Layden House. - Salary Savings	(139) (49)
4. Corporate Services -: Salary Savings target (725k) excluded from forecasts – Less corporate salary and other cost savings	412
5. Higher external costs on the property companies arising from the delays in the projects.	55
6. Increase in Overheads recovered from higher than budgeted ring fenced grant programmes	(469)

10. The summary figures by organisation are shown in Appendices 2 to 5. The following sections explain the variations arising from the latest forecasts.

**LGA – Appendix 2 below**

11. The LGA standalone position shows a forecast £33k surplus for the year, £82k worse when compared to the Current Budget, the main reasons for this variance are:

	<b>£'000</b>
1. Finance and Policy -Salary savings contributing to the Corporate budget for vacancy turnover savings - Programme Savings	(182) (54)
2. Communications – Additional External Room Hire savings arising ability to use internal rooms at Layden House. - Salary Savings	(139) (49)
3. Corporate Services -: Salary Savings target (366k) excluded from the forecast – Less corporate salary and other cost savings	296
4. Balance of £500k Target for additional commercial income within LGA , partly achieved in IDEA, offset by additional LGA subscription income.	158
5. Reduction in Overheads recovered from lower than budgeted contribution from LGA ring fenced grant programmes	60

**IDEA – Appendix 3 below**

12. The IDEA standalone position shows a forecast £4,590k surplus for the year, before payment of £2.647m in contributions to pension deficits. This is £525k than the Current Budget, the main reasons for this variance are:

	<b>£'000</b>
1. Workforce Leadership and Productivity – Salary Savings contributing to the IDEA Target	(122)
2. Corporate Services -: Salary Savings target (359k) excluded from forecasts – Less corporate salary and other cost savings	268
3. Additional commercial income arising from Royalties from the New Streets data set provided by Local Authorities	(130)
4. Increase in Overheads recovered from higher than budgeted from ring fenced grant programmes	(529)

**LGMB – Appendix 4 below**

13. The LGMB standalone position shows a forecast £874k deficit for the year, £70k worse when compared to the Original Budget, the main reasons for this variance are:

	<b>£'000</b>
1. Income from Internal and External tenants arising from the decision to decant from Local Government House to Layden House	(349)
2. Additional running costs for the building arising from the occupation of Layden House	637
3. Reduced costs of borrowing arising from the delays in starting the Layden House redevelopment until 2017.	(218)

14. The LGMB Board will be asked to agree Budget virements to reflect the revised forecast arising from the decision to decant from Local Government House to form the benchmark for the remaining Budget Monitoring reports in the Financial Year. This will require the drawing of an additional £70k from the general reserves than planned in the Original Budget.

**LGAP – Appendix 5 below**

15. The LGAP standalone position shows a forecast £1,200k deficit for the year, £169k better when compared to the Original Budget, the main reasons for this variance are:

	<b>£'000</b>
1. Less Income from Internal and External tenants arising from the decision to decant from Local Government House to Layden House.	420
2. Reduced running costs for the building arising from the decision to decant from the building during development works.	(756)
3. Additional costs of borrowing from continued Barclays Loans, plus earlier internal loans. Longer term impact is that development loans will cost less than assumed in the LGA's 3 year strategy.	167

16. The LGAP Board will be asked to agree budget virements to reflect the revised forecast arising from the decision to decant from Local Government House to form the benchmark for the remaining Budget Monitoring reports in the Financial Year. This will require the drawing of £169k less from the general reserves than planned in the Original Budget.

**Management Information Dashboard – Appendix 6 below**

17. Increasing levels of long term debts as our Local Authorities causing some problems for credit control chasing for Conference and Events invoices. The main problem is invalid PO numbers included in the online booking system.
18. Compared to previous Financial Years £46k subscriptions are outstanding relating to Bury and Tamar Bridge, with a 5 other members having paid an incorrect balance, leaving small amounts outstanding.

## Appendix 1

LGA Group Budget Monitoring Report , September 2016-17								
Row		Year to date			Full Year 2016/17			
		Budget YTD	Actuals YTD	Variance YTD	Original Budget	Current Budget*	Forecast Outturn	Budget to Outturn Variance
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>What we do</b>							
1	Finance & Policy	2,792	1,989	(803)	5,559	5,539	5,274	(265)
2	Workforce, Leadership & Productivity	5,908	4,443	(1,465)	12,022	12,042	11,933	(109)
3	Communications	1,389	793	(596)	2,900	2,779	2,578	(201)
4	DGG Distribution	800	500	(300)	1,400	1,400	1,400	0
5	Member Services	714	710	(4)	1,388	1,427	1,429	2
6	Political Group Offices	457	427	(30)	915	915	920	5
7	Corporate Services	3,247	1,126	(2,121)	5,962	6,237	6,514	277
	<b>How we fund our activity</b>							0
8	England Direct Government Grant	(10,700)	(10,700)	0	(21,400)	(21,400)	(21,400)	0
9	Welsh RSG Income	(148)	(148)	0	(295)	(295)	(295)	0
10	Subscription Income	(9,349)	(9,440)	(91)	(9,349)	(9,349)	(9,440)	(91)
11	Commercial Income	(1,017)	(604)	413	(2,000)	(2,000)	(1,881)	119
12	LGA Properties - Local Government House	691	902	211	1,515	1,515	1,116	(399)
13	LGMB - Layden House	71	455	384	138	138	727	589
14	Grants/Ring-fenced - Overhead contribution	(81)	(1,782)	(1,701)	(955)	(955)	(1,424)	(469)
15	<b>Total (Surplus) / Deficit before contributions to :</b>	<b>(5,226)</b>	<b>(11,329)</b>	<b>(6,103)</b>	<b>(2,200)</b>	<b>(2,007)</b>	<b>(2,549)</b>	<b>(542)</b>
16	Contribution to Pensions Deficits	1,323	1,112	(212)	2,647	2,647	2,647	0
17	Contribution to / (from) specific reserves	0	0	0	1,726	1,533	1,976	443
18	Contribution to/(from) General reserves Property Companies	0	0	0	(2,173)	(2,173)	(2,074)	99
19	<b>Total Net Budget</b>	<b>(3,903)</b>	<b>(10,217)</b>	<b>(6,315)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note the above costs and income streams are after removing intra group items

## Appendix 2

LGA Budget Monitoring Report , September 2016-17							
	Year to date			Full Year 2016/17			
	Budget YTD	Actuals YTD	Variance YTD	Original Budget	Current Budget*	Forecast Outturn	Budget to Outturn Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Finance & Policy	1,594	1,337	(257)	3,143	3,143	2,907	(236)
Workforce, Leadership & Productivity	734	905	171	1,469	1,469	1,496	27
Communications	1,256	680	(576)	2,632	2,511	2,282	(229)
Member Services	714	710	(4)	1,389	1,428	1,429	1
Political Group Offices	457	427	(30)	915	915	920	5
Corporate Services & Overheads	2,809	2,143	(666)	5,030	5,190	5,486	296
Subscription Income	(9,349)	(9,440)	(91)	(9,349)	(9,349)	(9,440)	(91)
Additional Commercial Income	(267)	21	288	(500)	(500)	(251)	249
Intercompany Transactions	(2,311)	(1,877)	434	(4,622)	(4,622)	(4,622)	0
<b>Core Costs</b>	<b>(4,363)</b>	<b>(5,094)</b>	<b>(731)</b>	<b>107</b>	<b>185</b>	<b>207</b>	<b>22</b>
<b>Grant Programme Totals</b>	<b>(150)</b>	<b>84</b>	<b>234</b>	<b>(300)</b>	<b>(300)</b>	<b>(240)</b>	<b>60</b>
<b>Total (Surplus) / Deficit before contributions to :</b>	<b>(4,513)</b>	<b>(5,010)</b>	<b>(497)</b>	<b>(193)</b>	<b>(115)</b>	<b>(33)</b>	<b>82</b>
Contribution to Pensions Deficits	0	0	0	0	0	0	0
Contribution to / (from) specific reserves	0	0	193	193	115	33	(82)
<b>Total Net Budget</b>	<b>(4,513)</b>	<b>(5,010)</b>	<b>(304)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## Appendix 3

IDEA Budget Monitoring Report , September 2016-17							
	Year to date			Full Year 2016/17			
	Budget YTD	Actuals YTD	Variance YTD	Original Budget	Current Budget*	Forecast Outturn	Budget to Outturn Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Finance & Policy	1,198	653	(545)	2,416	2,396	2,368	(28)
Workforce, Leadership & Productivity	5,174	3,540	(1,634)	10,553	10,573	10,438	(135)
Communications	133	114	(19)	267	267	296	29
RSG Distribution	800	500	(300)	1,400	1,400	1,400	0
Corporate Services & Overheads	438	(877)	(1,315)	798	913	1,181	268
Direct Government Grant	(9,834)	(10,122)	(288)	(19,668)	(19,668)	(19,668)	0
Welsh RSG Income	(148)	(148)	0	(295)	(295)	(295)	0
Additional Commercial Income	(750)	(766)	(16)	(1,500)	(1,500)	(1,630)	(130)
Intercompany	1,252	1,294	42	2,504	2,504	2,504	0
				0			
<b>Core Costs</b>	<b>(1,737)</b>	<b>(5,812)</b>	<b>(4,075)</b>	<b>(3,525)</b>	<b>(3,410)</b>	<b>(3,406)</b>	<b>4</b>
<b>Grant Programme Totals</b>	<b>69</b>	<b>(1,868)</b>	<b>(1,937)</b>	<b>(655)</b>	<b>(655)</b>	<b>(1,184)</b>	<b>(529)</b>
<b>Total (Surplus) / Deficit before contributions to :</b>	<b>(1,668)</b>	<b>(7,680)</b>	<b>(6,012)</b>	<b>(4,180)</b>	<b>(4,065)</b>	<b>(4,590)</b>	<b>(525)</b>
Contribution to Pensions Deficits	1,323	1,112	(211)	2,647	2,647	2,647	0
Contribution to / (from) specific reserves	0	0	0	1,533	1,418	1,943	525
<b>Total Net Budget</b>	<b>(345)</b>	<b>(6,568)</b>	<b>(6,223)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Appendix 4

**LGMB Budget Monitoring Report , September 2016-17 - Layden House**

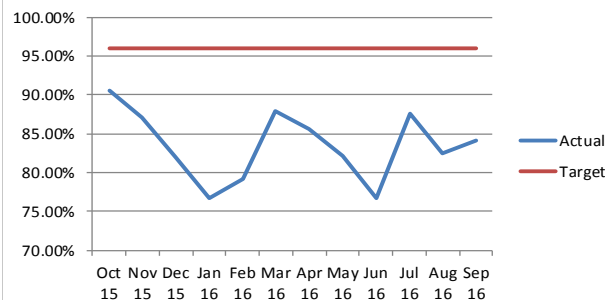
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## Appendix 5

**LGA(P) Budget Monitoring Report , September 2016-17 - Local Government House**

	Year to date			Full Year 2016/17			
	Budget YTD	Actuals YTD	Variance YTD	Original Budget	Current Budget*	Forecast Outturn	Budget to Outturn Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
External Rent	(133)	(77)	56	(265)	(265)	(98)	167
External Service Charges	0	(36)	(36)	0	0	(42)	(42)
Intercompany Rent and Service Charges	(359)	(548)	(189)	(717)	(717)	(418)	299
Investment Income	0	(4)	(4)	0	0	(4)	(4)
Total Income	(492)	(665)	(173)	(982)	(982)	(562)	420
External Expenditure							
Rates	913	913	0	913	913	531	(382)
External Interest	113	157	44	225	225	329	104
R&M	10	62	52	30	30	80	50
Facilities Management	225	97	(128)	450	450	135	(315)
Utilities	73	3	(70)	145	145	47	(98)
Other Professional fees	14	292	278	25	25	14	(11)
Depreciation	0	0	0	127	127	127	0
Intercompany							
Loan Interest - LGA	45	89	44	90	90	153	63
Shared Service charge to LGA	173	144	(29)	346	346	346	0
Total Expenditure	1,566	1,757	191	2,351	2,351	1,762	(589)
Total (Surplus) / Deficit	1,074	1,092	18	1,369	1,369	1,200	(169)
Contribution (from) General reserves	(1,074)	(1,092)	(18)	(1,369)	(1,369)	(1,200)	169
Total Net Budget	0	0	0	0	0	0	0

## Supplier payments within 30 days



The LGA is currently paying 84% of invoices within 30 days of the invoice date.

One cause of delay is POs being raised after the invoice has been received, 70 transactions in September at a total value of £117k.

The line in the graph plots the gap to compliance over the last year.

Directorate	Total
Finance & Policy	10
Chief Executives	19
Workforce, Leadership & Productivity	19
Communications	22
<b>Grand Total</b>	<b>70</b>

## Supplier payments over £100,000 - rolling 12 months

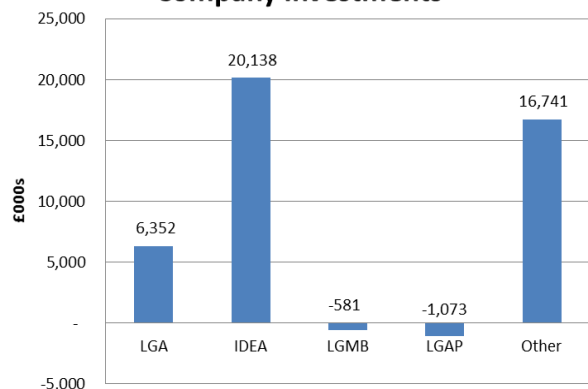
(excl. payments to Local Authorities and Pension Funds, and inter company payments)

Name	Value
LGA DIGITAL SERVICES LIMITED	1,422,518
PETER BRETT ASSOCIATES LLP	1,393,058
LIBERATA UK LTD	1,291,130
BEVAN BRITTAN LLP	653,250
PORISM LTD	646,453
WARWICK UNIVERSITY TRAINING LTD	519,209
BARTLETT MITCHELL LTD	247,357
SIZZLE	234,457
CONSEIL COMMUNES REGIONS EUROPE - (CCRE -CEMR)	231,719
MITIE CLEANING & ENVIRONMENT SERVICES LTD	220,895
BH LIVE ENTERPRISES LTD	214,368
NEPRO LIMITED	209,697
MSA ASSOCIATES	192,730
SOLACE	191,991
OCS GROUP UK LIMITED	191,740
HENRY FOX RECRUITMENT	184,038
TU INK	173,327
EDF ENERGY 1 LIMITED	154,485
SHARED INTELLIGENCE LTD	150,866
POLYGLOBE LTD	140,714
DEPARTMENT OF WORK & PENSIONS	118,117
ARTHUR J GALLAGHER INTERNATIONAL	111,317
NEW LEADERSHIP FOUNDATION	103,241
FAREBROTHER	102,157
EARLY INTERVENTION FOUNDATION	101,999

**TOTAL** 9,200,833

Of payments made in the last year, suppliers over £100k account for >>>>> 29%

## Company Investments



## Subscription Income Collection (Net of discounts)

	2016/17 to P6 £000s	2015/16 to P6 £000s	Variance £000s
Full Year Budget	(9,349)	(9,414)	65
Amounts Invoiced / Credited	(9,440)	(9,414)	(26)
Amounts Collected	9,394	9,414	(20)
%age of budget	100%	100%	0%
<b>Amounts Outstanding</b>	<b>(46)</b>	<b>0</b>	<b>(46)</b>

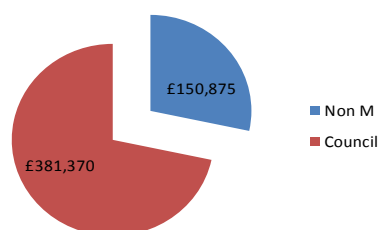
The LGA has a KPI to have no debt over 12 months old. To achieve this £86k needs to be collected (3.4%); there is significant work taking place to achieve this KPI. The total debt for LGA currently stands at £2.5m.

The average debtors days is 39.2 days. The graph below shows current values for our Council Members and other organisations.

Note remaining balances are held in overnight cash deposit accounts. The total cash investment is £42m. All entities will get reports in the December setting up intercompany loans to cover financing of part of the property projects.

Row Labels	£s
Bank of Scotland	£1,500,000
Commonwealth Bank of Australia	£1,500,000
Nationwide	£1,500,000
United Oversea Bank	£1,500,000
Public Sector Investment Fund	£18,000,000
Investment Account	£1,071,886
Lloyds	£1,500,000
Landesbank Hessen-Thuringen	£1,500,000
DZ Bank	£1,500,000
Bank of Montreal	£1,505,547
Toronto-Dominion Bank	£1,500,000
Rabobank	£1,500,000
ABBEY NATIONAL TREASURY SERV	£1,500,000
Santander	£1,500,000
Coventry BS	£1,500,000
Credit Suisse	£1,500,000
Nordea Bank AB	£1,500,000
<b>Grand Total</b>	<b>£41,577,434</b>

## Over 2 months debt

Outstanding debt over 2 months  
- comparison to last year