LGSS Joint Overview & Scrutiny Working Group

19 March 2018
11.00 am

Room 1.02, Milton Keynes Council
Civic Offices, 1 Saxon Gate East, Central Milton Keynes

AGENDA

*** Papers enclosed** > **Papers to follow**

Item	Subject	Lead Officer
1.	Introductions and apologies for non-attendance	James Edmunds Democratic Services Assistant Manager
2.	Notification of requests from members of the public to address the meeting *Any requests to speak on an item on the agenda should be notified to the chair (c/o the support officer) by 12 noon two working days before the date of the meeting.*	
3.	Declarations of members' interests, if any	
4.	Chair's Announcements	
5. *	Notes of the LGSS Joint Overview & Scrutiny Working Group meeting on 27th November 2017	James Edmunds Democratic Services Assistant Manager
6.	Introduction from the LGSS Interim Managing Director [verbal item]	Sarah Homer Interim Managing Director
7. *	LGSS 2017/18 budget update	Justine Hartley Head of Business Planning & Finance
8. *	LGSS Strategic Plan and 2018/19 budget	Sarah Homer Interim Managing Director
9. *	Future development of LGSS IT services	Ian Farrar Director of IT Sam Smith Head of Strategy & Architecture

Item	Subject	Lead Officer
10.*	ERP update	Mark Ashton Director of Business Services, Systems & Change
11.*	Current and future operation of the LGSS Joint Overview & Scrutiny Working Group	James Edmunds Democratic Services Assistant Manager
12.	Urgent Business	James Edmunds Democratic Services Assistant Manager

Working Group membership

Councillor Joan Whitehead (Co-chair)	Cambridgeshire County Council
Councillor Mark Howell	
Councillor David Jenkins	
Councillor Edith Bald (Co-chair)	Milton Keynes Council
Councillor Robin Bradburn	
Councillor Norman Miles	
Councillor Jim Hakewill (Co-chair)	Northamptonshire County Council
Councillor Graham Lawman	
Councillor Chris Stanbra	

For any queries relating to this agenda - please contact:

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LGSS Joint Overview & Scrutiny Working Group

27th November 2017

Stanton House, Huntingdon

Notes of the meeting held in public

Present:

Councillor Joan Whitehead (in the chair)	Cambridgeshire County Council (CCC)
Councillor Mark Howell [to item 30/17]	Cambridgeshire County Council
Councillor David Jenkins	Cambridgeshire County Council
Councillor Edith Bald	Milton Keynes Council (MKC)
Councillor Graham Lawman	Northamptonshire County Council (NCC)
Councillor Chris Stanbra	Northamptonshire County Council

Also in attendance for all or part of the meeting:

Matt Bowmer	Director of Finance, LGSS
James Edmunds	Democratic Services Assistant Manager, LGSS Northampton Office
Ian Farrar	Director of IT, LGSS
John Kane	Managing Director, LGSS
Jon Lee	Head of Integrated Financial Services, LGSS Finance
Martin Savage	Group Accountant, LGSS Finance
Sam Smith	Head of Strategy & Architecture, LGSS IT Services
Jo Truman	Business Planning Manager, LGSS Finance

The meeting started at 11.00am

<u>22/17 Introductions and Apologies for Non-Attendance</u>

Apologies for non-attendance were received from Councillors Bradburn and Miles (MKC) and Hakewill (NCC).

<u>23/17 Notification of requests from members of the public to address the meeting</u>

None received.

<u>24/17 Declarations of Members' Interests</u>

None declared.

<u>25/17 Chair's Announcements</u>

The Chair welcomed all those present to the meeting.

<u>26/17 Notes of the LGSS Joint Overview & Scrutiny Working Group meeting on 24th July 2017</u>

AGREED that:

a) **The notes of the LGSS Joint Overview & Scrutiny Working Group meeting held in public on 24th July 2017 be agreed.**

b) **The notes of the LGSS Joint Overview & Scrutiny Working Group meeting held in private on 24th July 2017 be agreed.**

27/17 LGSS 2017/18 Budget Update

The Director of Finance presented the 2017/18 Budget Monitoring Report produced for the LGSS Joint Committee (JC) meeting on 24th November 2017, highlighting the following points:

- LGSS had reported a forecast overspend of £418,000 at the end of September 2017. This had since been reduced to a forecast overspend of £81,000 at the end of October. This reflected that as the year progressed management action took effect and there was a clearer picture of the effect of vacancies and recruitment.
- The forecast position was made up of two elements: pressures that MKC and NCC were responsible for addressing and underlying pressures that the LGSS Management Board needed to manage.
- Based on previous experience he anticipated that a balanced position would be achieved by year-end and possibly a small surplus.

The Joint Working Group (JWG) considered the report and members raised the following points during the course of discussion:

- Concerns were raised about the effect that using vacancies to manage budget pressures could have on the effectiveness of services. Further information was sought about the number of vacancies in LGSS.
- What action was being taken to secure the long term effectiveness of LGSS's original structure?
- Did the need to use vacancies to manage budget pressures reflect that particular planned savings were not being achieved?
- £1.3 million was due to be transferred from reserves to reinvest in LGSS services during 2017/18. Without this the overall budget position would be considerably worse and it also reduced the reserves available to deal with other risks that might arise.

The Director of Finance provided additional information in response to points raised by members as follows:

- Vacancies were not occurring in large numbers in particular service areas within LGSS. Managers were also mindful of performance needs when dealing with vacancies.
- LGSS was delivering a 5-year business plan that could involve restructuring services. Current vacancies were likely to include some vacant posts that were not being filled pending the completion of consultation that may result in them being removed.
- LGSS did not hold general reserves: the reserves being used for reinvestment had come from the 2016/17 outturn and it had been agreed that they would be used for this purpose.

- NCC had requested additional £500,000 one-off savings in 2017/18. The biggest challenge involved in delivering these was ensuring that they did not affect the other partners.
- LGSS had a well-established savings-tracker for overseeing the delivery of planned savings. This enabled it to assess early if savings were at risk of not being delivered. Current red-rated savings included £870,000 that would not be delivered as intended due to the revised implementation date for the new ERP system and would come out of the base budget. £210,000 arose from a double-count of efficiency savings for CCC and NCC from further integration of professional finance services. A further £235,000 arose from the delay in restructuring transactional services connected with rescheduling the ERP go-live date. These risks woud be mitigated in-year and in 2018/19.

The Managing Director (MD) also provided additional information as follows:

- LGSS had a continuous programme to reduce headcount in specific service areas. Holding a vacancy that occurred in a post that was due to be removed reflected the agreed plan.
- There were 1,625 full time equivalent (FTE) posts across LGSS whereas it was currently managing around 12 vacancies, which were spread evenly across different areas.
- LGSS's response to the request from NCC for additional savings in 2017/18 was based on the Service Level Agreement (SLA) between them. Work by LGSS had focussed on functions that were currently wrapped around the core requirements delivered to NCC. The new situation was likely to involve NCC taking on some functions that were currently delivered through LGSS.

AGREED that:

a) The Joint Working Group requests to be provided with an off-agenda written briefing giving a breakdown of current LGSS vacancies, including identification of posts that are vacant because they are due to be deleted.

b) The Budget Update be noted.

28/17 LGSS Annual Report 2016/17 LGSS and Statement of Accounts

The Head of Integrated Financial Services presented the LGSS Annual Report and Statement of Accounts, and the External Auditor's ISA260 report for 2016/17, highlighting the following points:

- The LGSS JC had signed off the Annual Report (Statement of Accounts) at its meeting on 24th November 2017 with an unqualified audit opinion. The external auditor's formal opinion was awaited for inclusion in the final document. Publication of the Annual Report would then complete the 2016/17 accounting process.

- The external auditor had identified some adjustments that were now being addressed. This included an adjustment relating to the way in which LGSS Law was treated, which had been identified relatively late in the process.
- The 2017/18 Annual Report (Statement of Accounts) would have to incorporate CCC, NCC and MKC on the same basis, using the Oracle and SAP systems. This presented the ongoing challenge of aggregating information from the different systems to compile the accounts. The external auditor had also chosen to take a 'substantive audit' approach in 2016/17, in which they considered 400 LGSS transactions. This was likely to be replicated in 2017/18 and would be challenging for LGSS. It was expected that such issues would not exist as LGSS reviewed the future development of its accounting processes using ERP Gold.

The JWG considered the update. The Director of Finance provided additional information in response to points raised by members as follows:

- LGSS management accounting and financial reporting could already be challenging with NCC and CCC operating two separate ledgers, even if using a shared platform. MKC joining LGSS added to this. He had discussed how to address this situation in future with the partners' Chief Finance Officers (CFOs). It was proposed to take a lead authority approach, in which all income and expenditure was run through one authority. The introduction of ERP Gold from 1st April 2018 would support this. The CFOs were considering the proposal, which would represent a significant piece of work. Formal agreement by the partner authorities through the appropriate governance processes would be needed for it to proceed.
- Actions had been taken to manage the impact of the revised implementation date for ERP Gold. Transitional arrangements would be needed in 2018/19, moving to a permanent position for 1st April 2019.

The Head of Integrated Financial Services also provided additional information as follows:

- The external auditor was satisfied with the management responses to its recommendations. LGSS was also seeking an interim audit this year, which had not been the case before.
- The increased number of external audit recommendations for 2016/17 compared to the previous year was likely to reflect the more complex environment resulting from MKC joining LGSS.
- It was likely that action would be necessary to enhance oversight of journal entries ahead of the implementation of ERP Gold. Current controls were based on manager permissions, but greater oversight across all areas would increase confidence and assist with the external audit at year-end.

A member emphasised that the partner authorities needed to be fully informed about a proposal to change the LGSS management accounting and financial reporting process before taking a decision. All parties needed to be supportive of such a change and planning work should give thorough consideration to potential risks in order to prevent problems from arising in future.

The Group Accountant subsequently gave an overview of the make-up of the LGSS Annual Report 2016/17, which included a summary of what had been delivered during the year and planned future development; the final outturn and reserves position; core financial statements; notes to the accounts; and the Annual Governance Statement. He highlighted the following points:

- LGSS had delivered target savings and produced an operational surplus at year-end.
- £1.4 million reserves were held at the end of 2016/17. LGSS held reserves to invest in long term service improvement, rather than earmarked and general reserves as local authorities had.
- LGSS's assets and liabilities were largely made up of short term debtors and creditors as it did not have assets.
- There had been a decrease of £610,000 in the LGSS Operational Reserve during 2016/17.
- The Annual Report included a Cashflow Statement although this was theoretical as LGSS did not have a bank account or hold cash.
- The total sums for LGSS debtors and creditors had increased and decreased respectively in 2016/17 compared to the previous year.
- Over 75% of LGSS's expenditure related to employee costs.
- The expenditure and income analysis showed a £498,000 variance on planned income from LGSS Law as in accounting terms it was not possible to accrue for a dividend that had not yet been declared. When LGSS Law had done done this the total could be revised.

Members suggested that the JWG would benefit from a workshop session on the LGSS accounts in order to support informed scrutiny in future. The Director of Finance noted that May / June would be a logical time for this.

A member noted that the Annual Report referred to the Director of People, Transformation & Transactional Services (PTTS) having been made redundant in 2016/17. The former Director had subsequently been re-engaged by LGSS through her own company. Further information about the background to this situation was sought.

The MD advised that the Director of PTTS post had been deleted. A review of the LGSS Business Plan associated with MKC joining LGSS had resulted in a new Target Operating Model, which no longer included this post. This had co-incided with challenges relating to the ERP Gold project. The former Director of PTTS had considerable knowledge in this field. She had therefore been brought in on a short term contract, which had subsequently been extended, to work in support of the ERP Gold project.

Members raised concerns about the principle of making an individual redundant and then re-engaging them. The MD was questioned about why the former Director of PTTS was made redundant if she had knowledge that was needed to support the ERP Gold project and about whether this represented a lack of foresight.

The MD emphasised that it was appropriate to engage the former Director of PTTS as she had relevant knowledge. She had been in a different role when working in support of the ERP Gold project, which reflected that the need for additional support for the project had been identified. The Director of PTTS post had been deleted as part of a reconfiguration of the whole structure of LGSS intended to support the five-year LGSS Business Plan. This had been signed-off by the three partner authorities, had been delivered on time, and would enable the delivery of savings for the partners in future. The MD considered that taxpayers had been well-served by both actions.

In response to a further query members were advised that staff working for LGSS had different terms and conditions, depending on which of the three partner authorities was their employer. LGSS's joint committee structure meant that it was not an employer.

AGREED that:

a) **A workshop session to give the Joint Working Group an early overview of the next LGSS draft accounts be included in its work programme.**

b) **The update on the Annual Report 2016/17 and Statement of Accounts be noted.**

<u>29/17 Development of the LGSS budget for 2018/19</u>

The MD commented on the background to the LGSS budget for 2018/19, highlighting the following points:

- LGSS had a five-year Business Plan in place and no changes to this or to the strategic goals for LGSS were proposed.
- LGSS had consistently delivered its commitments over numerous years. The cost of LGSS in cash terms have been reduced to the point where it represented around 2% of the partner authorities' budgets. This was almost unprecedented performance, which could be shown through benchmarking.
- He was confident that LGSS was using shared services to deliver like-for-like services with its comparators and was not achieving savings just by cutting services. LGSS was in a pathfinding position.

The Finance Director went on to give a presentation outlining key issues in the development of the 2018/19 budget, highlighting the following points:

- The overall strategy for LGSS was reviewed regularly in addition to work on the budget.
- The 2017/18 base budgets were considered to be robust.

- LGSS needed more effective financial management arrangements, which was the basis for the lead authority proposal that had been developed. However, no decision had been taken on this yet.
- Planned savings for 2018/19 set out in the Business Pan were due to be delivered through SLAs with NCC and CCC. A further £600,000 above this now needed to be achieved. This did not represent a risk to MKC. LGSS was pursuing a four-point growth plan, involving seeking a fourth partner; increasing the provision of IT services to the NHS; franchising ERP; and increasing income generation.
- The position for MKC to 2021/22 was broadly in balance for the whole period, although activity was more front-loaded than originally expected.
- Discussion with partners' CFOs helped to inform the picture of the risk of shortfalls in existing savings. Current focus areas were the delivery of additional income from IT services, and additional forecast income from sources including LGSS Law and Revenues & Benefits. Income from the OPUS recruitment agency run by NCC and CCC and MKC's language services company was also anticipated.
- Projections for LGSS trading were based on detailed line-by-line analysis.
- NCC had asked LGSS to produce proposals for an additional 20% saving above the SLA. This was challenging as changes could not affect services provided to the other partners. LGSS had produced proposals that had been fed into the NCC budget development process: NCC was expected to confirm its final request shortly.
- Further development of the LGSS draft budget would include discussion sessions with the LGSS Management Board and partners' CFOs, the JC and the JWG, before final agreement by the JC. LGSS budget proposals would be incorporated into the budget agreed by each partner.

A member questioned how additional savings for NCC would be delivered as some of the proposals seemed to involve just returning functions to NCC rather than stopping them. The MD and Director of Finance advised that LGSS would need to reduce services to achieve the saving requested. A set of options had been produced and it was not anticipated that NCC would decide to pursue all of them, particularly as LGSS considered some to be a high-risk. Returning functions from LGSS to NCC, for example from Democratic Services, would enable NCC to consider how they should be delivered in future and benefit from any saving resulting from this.

A member highlighted that LGSS was increasingly selling services to customers and that the return generated from this should not be described as a saving. It was also questioned whether NCC asking for additional savings from LGSS would reduce its shareholding.

AGREED that: the overview of the development of the LGSS budget for 2018/19 be noted.

30/17 Overview of the LGSS IT Strategy

The Director of IT and Head of Strategy & Architecture presented an overview of the aims, development and delivery of the LGSS IT Strategy, highlighting the following points:

- LGSS was at the end of its current IT Strategy.
- The IT Strategy was based on four key themes: new ways of working, under different titles at the different partner authorities; digital first; doing more with less; and new business opportunities. The Strategy had been successful.
- LGSS IT served over 20,000 users at over 700 sites. IT staff had received 165 employee recognition awards.
- An average of 16,000 contacts per month were taken by IT service desks. IT operated 11 data centres and over 1,500 running virtual servers.
- LGSS IT needed to move forward as technology continued to develop. Provision of over 8,000 Windows 10 upgrades, over 10,000 mobile computers and 9,000 mobile phones reflected this.
- The goals set out in the IT Strategy were specifically designed to support the overall LGSS Vision.
- It was important that LGSS IT was able to attract and retain the right people in a competitive market. Particularly good work had been done on apprenticeships, which brought in people of different ages to different parts of the directorate. The range of opportunities available to all staff within IT had been broadened, together with robust performance management.
- Offering IT staff good opportunities to develop their career, skills and knowledge of new IT systems created the risk that other employers would seek to recruit them. LGSS accepted this risk and focussed on ways of retaining its existing staff as well as bringing through new people.
- LGSS IT aimed to be as close to the leading edge in the development of IT solutions and services as it could be whilst still being able to offer reliability. It sought to do this by taking a ‘building block’ approach to development that involved, for example, co-ordinating procurement across all authorities to get the best deals.
- The development of a unified service desk function was based on the use of common systems across locations not just having one service desk at a single location. This provided back up as well as improving efficiency.
- Whether to use a cloud-based approach was a key question for any IT service. Suppliers advocated a cloud-based approach as it gave them an income-stream. LGSS would consider this question objectively and adopt the best solution: for example, moving MKC onto the cloud would have cost five times more than using LGSS’s existing data centres and would also have been an irreversible commitment. The LGSS hybrid cloud reflected the same principle of pursuing the most effective approach available.
- LGSS IT built applications and systems that could be used by the different organisations it worked with to meet their particular needs. Items produced

for one could be made available to others and then marketed more widely as part of the Local Government Platform as a Service approach.

- LGSS IT would continue to work to deliver benefits from economies of scale. Oxfordshire County Council currently spent twice as much on IT services as NCC and CCC combined but did not deliver outcomes that were twice as good.
- The IT Strategy had contributed directly to delivering the LGSS Business Plan by achieving savings of £2.4 million from replacing its mobile phone provider and £5 million from negotiating a deal for mobile devices across LGSS.

[Councillor Howell left the meeting during this item].

The JWG considered the overview and additional information was provided in response to points raised by members as follows:

- It was confirmed that LGSS IT did provide users with self-service options for resolving matters. The 16,000 service desk contacts per month referred to at the meeting were not all reports of problems.
- The Director of IT had agreed to act as the chief information officer for the local digital roadmap that formed part of the Northamptonshire Sustainability & Transformation Plan, to help to improve NHS organisations' involvement in joint working on IT. £4.7 million funding had been secured from NHS England to build systems reflecting this.

JWG members subsequently sought a further opportunity to consider the potential development of LGSS IT in future, given time pressures at the current meeting.

AGREED that: the Joint Working Group seeks to consider the future development of LGSS IT services at a further meeting.

31/17 LGSS Customer and Business Development Update

The MD advised that elements of this item had already been covered during previous discussion and that, given the length of the meeting, this matter did not need to be covered further at the current time unless the JWG wished to do so.

AGREED that: the customer and business development update be deferred to a future meeting.

32/17 LGSS Joint Overview & Scrutiny Working Group Work Programme 2017/18

The Democratic Services Assistant Manager presented the report, which was intended to enable the JWG to review progress with its current work programme. The JWG was also asked to consider a request from the MD that it hold an additional meeting in early February 2018 to scrutinise the draft LGSS Strategic Plan and budget for 2018/19 before they were presented to the JC for adoption.

The JWG considered the report. Members raised the following points concerning the operation of the JWG:

- It was questioned how well the JWG was able to hold to account the JC with only 3-4 meetings per year.
- It would assist the JWG to make best use of its meetings for reports and similar information to be provided in advance.

The Democratic Services Assistant Manager noted that the next scheduled JWG meeting on 19th March 2018 was the last in 2017/18. It could give the JWG an opportunity to consider its work during the past year and how it wished to proceed in future.

The JWG went on to consider the request to carry out pre-decision scrutiny of the draft LGSS Strategic Plan and budget for 2018/19. Members expressed support for this in principle, but questioned that it should be done in early February. The JWG was advised that this timing related to the date when the JC would meet to consider these matters, which in-turn needed to link in to the partners' Medium Term Financial Planning schedules. However, members emphasised that early February was very late for budget scrutiny, highlighting that partner authorities would be setting their own budgets during that month. The need to give further consideration to the timing for an additional JWG meeting, and how this would fit in with planned business for the JWG, were highlighted.

AGREED that:

a) Reports and other information supporting items on the agenda for Joint Working Group meetings should be circulated in advance as far as possible, to assist in enabling time at meetings to be focussed on questions from councillors.

b) The Joint Working Group supports the principle of carrying out pre-decision scrutiny of the draft LGSS strategic plan and budget for 2018/19 before they are presented to the LGSS Joint Committee for adoption.

c) Potential dates for a Joint Working Group meeting to scrutinise the draft LGSS strategic plan and budget for 2018/19, taking into account the timing for partner authorities' own budget-setting meetings, be circulated to members following the current meeting.

d) The Joint Working Group reviews its operation to date and potential opportunities to improve its effectiveness at its meeting on 19th March 2018.

e) The following items of business be included on the agenda for the Joint Working Group meeting on 19th March 2018:

If this meeting is to be used to scrutinise the draft LGSS strategic plan and budget for 2018/19:

- **Draft LGSS strategic plan and budget for 2018/19**

- **Future development of LGSS IT services**

If a separate meeting is held to scrutinise the draft LGSS strategic plan and budget for 2018/19 and 19th March 2018 remains a regular meeting:

- **LGSS 2017/18 Budget Update**
- **LGSS customer and business development update**
- **Customer Satisfaction Survey and Performance Framework feedback**
- **Future development of LGSS IT services**
- **Current and future operation of the LGSS Joint Overview & Scrutiny Working Group**

There being no further business the meeting concluded at 1.35pm.

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Agenda Item No: 7

LGSS Joint Overview & Scrutiny Working Group

19th March 2018

Subject:	**LGSS 2017/18 Budget Update**
Recommendation:	**That the LGSS Joint Overview & Scrutiny Working Group notes the LGSS 2017/18 budget update and financial position as at January 2018.**

1. Purpose of Report

1.1 This report is intended to enable the LGSS Joint Overview & Scrutiny Working Group (JWG) to consider an update on LGSS budgetary matters.

2. Background

2.1 The JWG customarily receives an update on LGSS budgetary matters at each of its meetings. The following document has been provided to the current meeting for this purpose:

- LGSS 2017/18 Budget Monitoring Report January 2017 – paper circulated to LGSS Joint Committee members (8th March 2018)

2.2 The LGSS Head of Business Planning and Finance will attend the JWG meeting to present the document and contribute to any resulting discussion.

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For the public sector

LGSS Joint Committee

By email 8th March 2018

Subject: **LGSS 2017-18 Budget Monitoring**

Actions:

1. **Note the financial monitoring position as at 31 Janaury 2018.**
2. **Note additional options are being explored to address the current £241k forecast shortfall.**
3. **Note the summary position on carry forward balances and reserves.**
4. **Note the capital monitoring position regarding LGSS capital projects.**
5. **Note the additional in year savings ask from NCC.**

Section 1 - Overview

1 This report is the combined LGSS financial monitoring report consolidating the delegated budgets from the three partner authorities.

2 LGSS services are run in the majority of cases as integrated operations. The financial reporting for LGSS therefore combines the resources from each authority in order to provide an overall position for LGSS Operational Services.

3 Section 2 and Appendix 1 of this report show the summary and detailed financial position for LGSS Operational. The benefits to the partners are embedded within the budgets and a zero outturn position would mean that all benefits have been met with regard to each authority's budget proposals for 2017-18.

4 At the end of the year the LGSS Operational outturn variance 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 partner authorities on the basis of net budget, as per the partnering agreement.

5 The Budget Savings Tracker enables service managers to give a monthly update on the delivery of 2017-18 savings and benefits. A summary of this information is given at paragraph 3 of Section 2. This is monitored and reviewed on a monthly basis with LGSS Directors, the Finance Director and the Managing Director.

6 Appendix 2 sets out the carry forward balances of LGSS in two separate schedules, first those that are ring fenced to CCC and NCC prior to 1 April 2016 when MKC joined the partnership, and secondly those held jointly by all three partners for activities post 1 April 2016. Appendix 3 sets out the current and forecast LGSS reserve balances for the year.

7 LGSS also 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 overspends 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 at Appendix 4. This information is also sent on a monthly basis to the CFO of each authority.

8 Appendix 5 of this report shows the detailed financial position for LGSS capital projects 2017-18.

Section 2 - LGSS Operational – January 2018

	Previous Forecast Variance £000	Full Year Budget £000	Full Year Forecast Variance £000	Transfers from reserves £000	Net Full Year Forecast Variance £000	
					Partner authorities £000	LGSS £000
Finance Services	180	14,168	231	-255	-67	43
Human Resources	253	9,089	293	-114	265	-86
Business Services, Systems & Change	204	14,733	137	-400	-7	-256
Information Technology Services	152	15,721	334	0	234	100
LGSS Law & Governance	-27	1,451	-10	0	0	-10
Managing Director & Support	113	280	153	0	0	153
Total LGSS Services	**875**	**55,441**	**1,138**	**-769**	**425**	**-56**
Trading Account	194	-18,702	474	-39	0	435
Total LGSS Operational	**1,069**	**36,739**	**1,612**	**-808**	**425**	**379**

Revenue position

1. The forecast outturn variance on LGSS Services is an overspend of £804k. However, £425k is Milton Keynes and Northamptonshire County Councils' responsibility to address as set out in paragraphs 3 and 5. There is a £379k forecast overspend for LGSS largely as a result of shortfalls on the trading account. A number of options are being considered to offset the overspend including keeping spend to a minimum for the remainder of the financial year, and reviewing vacancies and forecasts. In addition, £138k of carryforwards earmarked for reinvestment but not yet spent have been released to offset the overspend. This brings the current forecast year end position for LGSS reserves to a shortfall of £241k as per Appendix 3. If mitigating actions cannot be found to address the remaining trading pressure by year end this will be allocated between Cambridgeshire and Northamptonshire County Councils.

2. Further detail and commentary on the joint LGSS Operational outturn position is provided at Appendix 1. The £153k adverse variance within Managing Director & Support is due to: a delayed saving with regard to hosting of the new pensions payroll system which will now be delivered in 2018-19; external audit fees for the LGSS accounts; the additional costs for the change in Managing Director of LGSS; all offset by savings from the NCC policy for staff to take one day's unpaid leave which will be seen as lower spend in individual policy lines from February.

3. There are certain forecast outturns and pressures (in total £662k) that will be met by the partnering authorities, as they are known unfunded issues.

Authority	Description of pressure	Amount £k
MKC	Underfunding of HR/Payroll targets – Historical unrealistic income budgets set via MKC MTFP process Offset in 2017-18 by additional income achieved.	 217 -39
	Unachievable IT non schools income target – Historical unrealistic income budget set via MKC MTFP process.	 52
	Historical grant income budget, grant is no longer received	30
	Data centre saving from MKC budget	152

	Total MKC	**412**
Authority	**Description of pressure**	**Amount £k**
NCC	Loss of NCC schools income for Payroll Services delivered by LGSS through schools sourcing recruitment directly. Offset in 2017-18 by additional income achieved	350 -100
	Total NCC	**250**

4. There is slippage on the delivery of the MKC partnership savings due to the jointly agreed revised go live date of ERP gold. It is anticipated that the impact will be mitigated by the use of the contingency, set aside for this purpose.

5. In addition, NCC have asked for the delivery of an additional £500k of one off savings in 2017-18. These savings can only arise from reduced service or increased income generation related to NCC and cannot impact on the delivery of services to CCC and MKC. £195k of savings have been agreed from budgets delegated to LGSS to meet this target.

6. Of the £195k, £63k saving from the HR budgets, £7k from procurement, and £67k of one-off savings from finance services to NCC have been secured to date as set out below, and are reflected in the forecasts in this report. There is an anticipated shortfall on the procurement savings because much of the tender work to generate these savings in 2017-18 had already been completed before the charge was confirmed. In addition, a further £100k of savings have been agreed with NCC from their Learning and Development spend and these are also reflected in the forecasts.

NCC Additional Savings description	**Target Amount £k**	**Delivered Amount £k**
Finance operations – reduced spend on MAP team	67	67
HR – cap on NCC HR advisory support, any additional support on a pay as you go basis	63	63
Procurement – charge to be made to successful bidders for NCC	65	7
Learning and Development spend	0	100
Total savings from LGSS budgets	**195**	**237**

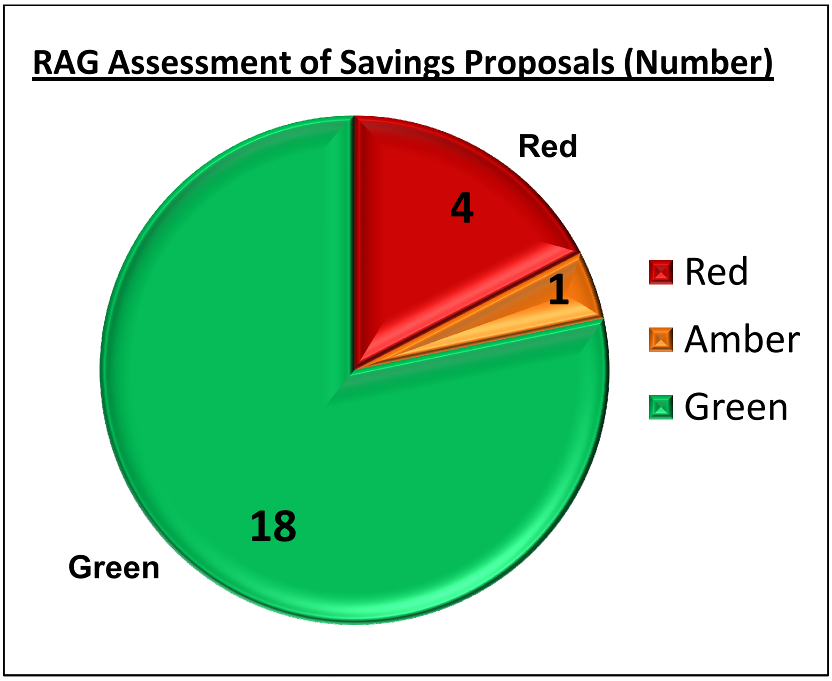
7. A further £131k of savings from NCC budgets for IT managed by LGSS have been requested and have also now been delivered.

8. There is a £474k pressure on trading which will be partially offset through the remaining balance on the Trading Reserve, which has been purposely built up in previous financial years to address potential trading risk. A pressure of £217k was anticipated in the LGSS Strategic Plan to be funded from the Trading Reserve. The increased pressure arises from the expectation that LGSS Law will not now make a profit in 2017-18 and so no dividend will be payable. In addition, the dividend for 2016-17 will be deferred. There is insufficient balance remaining in the Reserve to offset the shortfall created by these pressures.

Savings delivery

9. The budget savings tracker shows current savings at risk totalling £1,130k of which £870k is as a result of the revised go live date of the new ERP system. Mitigating savings and transfers from reserves are planned to offset non deliverable savings to deliver services to budget. A summary of the current RAG rating of budget proposals by Directorate is shown below.

Directorate Summary of Savings Proposals	Summary Proposal By Value and Directorate				
	No. of proposals	Total Savings	Red	Amber	Green
Human Resources	6	633	235	0	398
Law and Governance	2	57	0	0	57
Business Services, Systems and Change	7	773	400	0	373
Information Technology	2	375	0	195	180
Finance Services	6	928	445	0	483
Total	**23**	**2,766**	**1,080**	**195**	**1,491**



Red = savings which are no longer deliverable in this financial year. Many will be deliverable in future years.

Amber = savings which are not fully deliverable in year. 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 fully deliverable in year.

Capital position

10. The table below summarises the capital projects within LGSS. LGSS projects are all fully funded from either external funding sources or by the individual authorities discretionary funding. There is a forecast overspend of £909k on capital with the majority of this being due to the revised implementation date of Agresso Gold Build and additional specialist support being required. Appendix 5 gives further detail on a scheme by scheme basis.

Authority	Expenditure Profile							Funding Profile		
	Exp Budget	Prev Year's Exp	Actuals 2017-18	Forecast 2017-18	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	21,647	18,837	3,153	-580	252	21,662	15	753	20,894	21,647
CCC	1,615	1,107	0	918	0	2,025	410	0	1,615	1,615
MKC	7,838	3,952	-233	2,516	2,087	8,322	484	0	7,838	7,838
TOTAL	**31,100**	**23,896**	**2,920**	**2,854**	**2,339**	**32,009**	**909**	**753**	**30,347**	**31,100**

Appendix 1

2017-18 Monitoring Detail – LGSS Operational Budgets

Finance Services Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Jan £000	Full Year Forecast Variance £000
Finance Services Directorate:							
Professional Finance							
CCC	0	1,965	-28	-310	1,627	1,384	0
MKC	0	1,884	-53	-64	1,767	1,269	0
NCC	6	1,434	-57	-163	1,214	1,296	4
LGSS Director of Finance	-6	171	0	0	171	152	-4
Premature Retirement Costs	0	133	0	0	133	100	0
Financial Operations	175	4,770	-312	-62	4,395	4,049	211
Integrated Finance Services	0	1,892	-578	-462	852	784	0
LGSS Business Planning & Finance	5	451	0	0	451	379	4
Audit & Risk	0	2,279	-492	-122	1,665	1,577	0
Pensions Operations	0	4,734	-4,734	0	0	2,757	0
Norwich	0	1,142	0	0	1,142	1,041	0
NBC	0	755	-5	0	750	639	16
Total Finance Services Directorate	**180**	21,611	-6,259	-1,183	**14,168**	**15,427**	**231**

The Directorate is forecasting a £231k variance.

There are pressures within Financial Operations due to the jointly agreed rescheduled Go Live date of ERP gold, as this has impacted on the ability to deliver the savings associated with this project. In addition to this, redundancy costs have now been confirmed at £225k which is slightly worse than original estimated. A management decision to temporarily increase the resource in debt recovery has created an overspend in the service but should reduce the debt and subsequent bad debt provision for the partner authorities. The majority of these pressures will be mitigated by the delay in implementing the finance operations restructure, vacancies in other areas of the service and the use of the partnership contingency. The forecast assumes the use of the £50k carryforward from 2016-17.

There is a pressure of £4k on the LGSS Business Planning and Finance team due to costs of agency staff and additional travel by staff whilst posts were vacant.

There is an outstanding issue of £72k within Audit due to redundancy and pension strain costs. The deletion of this post was a decision that was made during the business case stage of the partnership with MKC.The additional NCC in-year saving of £55k will not be achieved. The only way this could have be achieved is by a reduction in staffing, however it was too late in the financial year for any savings to have been realised in 2017-18 plus there plus there would have been associated redundancy costs. Savings within Financial Operations services to NCC are anticipated to offset this.

There is a forecast overspend of £27k against the NBC contract due to the interim Section 151 officer appointment. This overspend will be split 60:40 LGSS:NBC in line with the current contract resulting in a pressure to LGSS of £16k.

The actual to January expenditure is behind profile in MKC Professional Finance due to year end accruals for pension strain costs. In NCC income will be received before year end. Pensions Operations has a zero net budget, therefore throughout the year the actual to date expenditure will always exceed the budget.

Human Resources Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Jan £000	Full Year Forecast Variance £000
Human Resources Directorate:							
HR Central Management	0	150	0	0	150	141	0
Policy & Strategy	-48	1,919	-113	-170	1,637	1,199	-14
HR Business Partners							
CCC	-4	1,178	0	-97	1,081	982	-8
NCC	-186	1,158	0	0	1,158	843	-146
MKC	22	893	0	-55	838	548	7
NCC Schools Income	0	0	-250	0	-250	-207	12
MKC Schools	0	111	-0	0	111	129	0
Learning & Development	-100	5,669	-2,107	-214	3,348	2,893	-100
Transactional Services	125	2,430	-240	-162	2,028	2,252	114
NCC – loss of advertising income	250	0	-493	0	-493	-268	250
MKC- undeliverable trading Schools targets	194	0	-459	0	-459	-225	178
Total HR Directorate	**253**	**13,508**	**-3,662**	**-698**	**9,148**	**8,287**	**293**

The Directorate is forecasting a £293k overspend.

£428k of this is due to being underfunded, as outlined directly below, and these pressures will be met by the individual partnering authorities. In addition, £163k of forecast underspend is in accordance with agreed reductions in service for NCC. £114k of overspend arising from the revised implementation date for the ERP system is anticipated to be met from the partnership contingency. The anticipated underspend to LGSS is therefore £86k.

NCC funded its Payroll Services using income from a schools portal that charged for advertising on it. A policy decision was taken by NCC to improve recruitment for teachers in Northamptonshire by offering this service to schools for free, at a loss of up to £350k for LGSS. The income for 2017-18 has been reviewed and with some temporary mitigations the shortfall is expected to be £250k, but is likely to increase in future years as more schools take up NCC's offer.

MKC set trading targets for schools of £217k (via MKSP) that were not deliverable. This was accepted at the point the LGSS Partnership started and suggested mitigations were not accepted so this has been accepted as an MKC responsibility for their MTFP. The underfunding within this trading for 2017-18 is £178k due to additional income generated in year. LGSS HR will be providing an integrated approach to schools to increase future income to the benefit of stakeholders.

The Policy & Strategy team are forecasting an underspend on staffing due to freezing the vacant Business Administrator post and savings due to staff turnover, however this is being partly offset by increased demand for staff counselling in CCC.

There is a planned underspend on the NCC HR Business Partner team due to delays in the implementation of the new proposed staff structure, which will meet the NCC request for additional in year savings of £63k. Services are being reduced and if demand is not manageable a PAYG offer is being made with wider HR resources.

Within Learning & Development, commitments have been reviewed to meet NCC's additional direct in year ask of £100k and this is reflected in the forecast. The forecast assumes the use of the £95k carry forward from 2016-17.

There are pressures within Transactional Services due to the jointly agreed revised go live date of ERP Gold. It is anticipated that this will be offset by the use of £114k partnership contingency. The forecast assumes that there will be no additional capitalisation to the ERP project.

Expenditure is incurred in advance of income being received within Transactional Services which is the reason for the actual to date being in excess of the full year budget.

Business Services, Systems & Change Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Jan £000	Full Year Forecast Variance £000
Business Services, Systems & Change Directorate:							
BSSC Leadership	0	159	0	0	159	137	4
Procurement	-60	1,481	-141	-22	1,318	1,040	-60
Insurance	-36	645	-24	-552	69	2,140	-95
LGSS Business Systems & Change	400	4,243	-24	-160	4,059	4,049	400
Customer Engagement	-14	402	0	0	402	339	-24
Language Service	-34	744	-680	-65	-2	-33	-34
Business Development	-52	174	0	0	174	172	-54
Revenues & Benefits (MKC)	0	5,431	-33	-173	5,225	3,803	0
Revenues & Benefits (NBC)	0	4,079	-737	-15	3,328	3,588	0
Total BSSC Directorate	**204**	**17,358**	**-1,639**	**-987**	**14,733**	**15,235**	**137**

The Directorate is forecasting a £137k overspend.

There is a £60k underspend within procurement, £53k due to vacancies being held to meet planned future savings targets. £7k due to the new NCC initiative to charge for tender bidding.

There is a £95k underspend within insurance due to vacancies, and an increase in underspend from last month of £59k, due to an additional unanticipated recovery of costs from a contract and additional underspends on non staffing budgets. The spend on insurance exceeds the budget at this stage of the year due to costs incurred which will be recharged to the insurance fund.

The current E-forms solution is nearing end of life, and therefore alternative delivery options need to be developed as necessary. As a consequence there is currently a pressure of £111k for the cost of a replacement mileage and expenses claims system. It is anticipated that this pressure will be mitigated within the Directorate, and therefore result in a cost neutral position.

There is a £400k pressure within Business Systems, due to the revised jointly agreed go live date of ERP gold. It is envisaged that this slippage in delivery of the 2017-18 saving will be mitigated by the partnership contingency.

There is a forecast underspend of £24k within Customer Engagement due vacancies being held for the remainder of the year. The additional £10k underspend from last month is due to the decision not to recruit a temporary post following the NCC spending review.

The Language service coss forecasting an outturn additional surplus of £34k. There is also expenditure relating to 2016/17 of £40k that was not accrued, and so has been paid in the current financial year. The forecast outturn additional surplus would therefore be £76k without this prior year expenditure.

There is a forecast underspend of £54k within Business Development due to vacancies, and a member of the team covering the team leader role within the Language Service area.

Information Technology Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Jan £000	Full Year Forecast Variance £000
IT Directorate:							
Cambridgeshire County Council	100	2,247	0	-887	1,360	1,310	100
MKC IT	82	4,105	-103	-50	3,952	3,881	234
MKC IT Schools	0	496	-562	0	-66	-167	0
Northamptonshire County Council	-30	3,259	-39	-618	2,602	2,223	0
Norwich	0	2,508	-250	0	2,258	1,960	0
NHFT	0	3,324	-253	0	3,072	4,963	0
Strategy & Architecture	0	879	-16	-100	763	619	0
Digital Services	0	1,857	0	-970	887	1,361	0
Service Delivery	0	1,290	0	-397	893	1,152	0
Total IT Directorate	**152**	**19,965**	**-1,223**	**-3,022**	**15,721**	**17,303**	**334**

The Directorate is forecasting an overspend of £334k

There are pressures within the CCC IT operational Budgets of £100k in this financial year. These stem primarily from the current funding model within CCC, with a high level of internal trading/cross charging and significant IT expenditure budgets still held outside of IT, as well as the increased costs from implementing the Platform Stability Plan, and interim Head of Operations costs. Work with colleagues in the IT & Digital Service is underway to review the overall IT budget and propose a new model for the funding of IT within CCC from next financial year.

There is a £52k unachievable income target in MKC non schools trading, and a historical £30k grant income budget which is no longer received, which will be mitigated by MKC. In addition, there is a pressure of £152k relating to the data centre saving being incorrectly attributed to IT, this pressure is being reported and covered by MKC.

NHFT spend is in excess of budget at this stage of the year due to recharges for costs incurred which have not yet been invoiced.

LGSS Law and Governance Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Jan £000	Full Year Forecast Variance £000
LGSS Law and Governance Directorate:							
Democratic Support Services	-27	1,505	-137	-19	1,349	1,071	-10
CCC Corporate Legal Budget	0	102	0	0	102	118	0
Total LGSS Law and Governance Directorate	**-27**	**1,607**	**-137**	**-19**	**1,451**	**1,189**	**-10**

The Directorate is forecasting an underspend of £10k.

The underspend within Democratic Support Services is due to a reduction in non staff expenditure.

Although LGSS Law Ltd. is now a separate entity, LGSS budgets for the payment of a dividend which then reduces the net cost to the original partner authorities.

Appendix 2

Summary Position on LGSS Carry Forwards (pre MKC)

Directorate	Service Area	Title	Total Carry Forward	Re-assigned	2017-18 Forecast Drawn Down	Needed 2018-19
			£000	£000	£000	£000
HR	Learning & Development	Infrastructure investment for the development of the Learning Pool – the online training system for all LGSS customers.	95	0	-95	0
BSSC	Revenue & Benefits	LGSS R&B OBC / new systems development	325	0	-325	0
Finance	Strategic Assets	Asset Management Database	58	0	-58	0
BSSC	Customer Engagement & Business Development	Website development to support new business	34	0	-34	0
Cross-Cutting		Smoothing of planned trading income 17-18	39*		-39	0
Total			**551**		**-551**	**0**

Notes:

* The trading reserve balance has been reduced following the audit of the LGSS 2016/17 accounts which required the removal of the accrual for the LGSS Law dividend for 2016-17 until such time as the LGSS Law accounts had been finalised and the dividend formally declared. This reduced the trading reserve by £279k. Subsequently a dividend of £148k has been declared and will be payable to LGSS in this financial year.

A provision of £284k was created in 2013-14 for benefits share negotiations. £209k was drawn down from t/his provision in 2014-15, but there were no draw downs in 2015-16 or 2016-17, leaving a current balance until such time as the LGSS Law accounts had been finalised and the dividend formally declared. Aof £75k.

Summary Position on LGSS Carry Forwards (post MKC)

Directorate	Service Area	Title	Total Carry Forward	Re-assigned	2017-18 Forecast Drawn Down	Balance at year end 2017-18
			£000	£000	£000	£000
IT		Service Desk Replacement solution	120	0	-120	0
IT		Central Operations Programme and Resource Management	85	0	-85	0
IT		The LGSS Digital Service	110	0	-60	-50
IT		The adoption of	85	0	-85	0

		"Cloud" Services				
Finance	Integrated Finance Service	Critical Short Term Resourcing Pressure to Deliver the Statutory Accounts to the LGSS Partners and NBC	30	0	-30	0
Finance	Finance Operations	Increase debt recovery capacity	50	0	-50	0
HR	Learning & Development	Learning Pool and Evolve	30	0	-30	0
BSSC	Procurement	Implementation of strategic sourcing approach	100	0	-12	-88
BSSC	Revenues & Benefits	Benefit Recovery Funding	240	0	-240	0
BSSC	Customer Engagement and Business Development	Website development to support new business	15	0	-15	0
Cross Cutting		MKC PDA Savings 2016-17	292	0	-292	0
Total			**1,157**	**0**	**-996**	**-138**

Total of carry forwards pre and post MKC

Directorate	**Service Area**	**Title**	**Total Carry Forward**	**Re-assigned**	**2017-18 Forecast Drawn Down**	**Needed 2018-19**
			£000	£000	£000	£000
Total			**1,708**	**0**	**-1,547**	**-138**

Appendix 3

Summary Position on LGSS Reserves

Reserve	Opening balance 1 April 2017	Adjustment following audit of the 2016-17 accounts	Forecast Movements in year		Forecast Closing balance 31 March 2018	Commentary on expected movements
			Transfers to reserves	Transfers from reserves		
	£000	£000	£000	£000	£000	
Reserve for reinvestment in services	1,376	0	0	-1,215	138	Transfers to reinvest in services as set out in Appendix 2
Trading reserve	318	-279	0	-39	0	Forecast movements reflect LGSS Law dividend adjustments as noted below and transfer to support the trading shortfall in year as set out in the Strategic Plan
Partnership contingency	292	0	477	-769	0	Forecast movements to offset pressures arising from revised ERP implementation date
Forecast LGSS overspend	0	0	0	-379	-379	As per section 2.
Total	**1,986**	**-279**	**477**	**-2,402**	**-241**	

Following the finalisation of the audit of the 2016-17 LGSS accounts the opening balances for reserves were restated, reducing the balance by £279k. This reflected the uncertainty around the LGSS Law dividend for 2016-17 payable to LGSS at the time the audit was completed. The LGSS Law management accounts for 2017-18 suggest no dividend will be received for this financial year and it has been agreed the payment of dividend for 2016-17 of £148 will be waived pending sufficient reserve balances to fund it.

Appendix 4
2017-18 Monitoring Detail – Budgets managed by LGSS on behalf of others.

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Jan £000	Full Year Forecast Variance £000
Cambridgeshire County Council:							
Insurance	0	-105	0		-105	-2,096	-60
External Audit	0	141	0	0	141	55	0
Members Allowances	0	1,032	0	0	1,032	807	-5
Finance	-193	259	-118	0	141	-52	-190
Information Technology	68	4,573	-200	-2,088	2,285	4,398	418
Total	**-125**	**5,900**	**-318**	**-2,088**	**3,494**	**3,111**	**163**
Milton Keynes Council:							
Human Resources	0	214	0	-30	184	106	0
Revenue & Benefits	0	0	-240	0	-240	-433	0
Information Technology	0	1,212	0	-666	546	224	0
Total	**0**	**1,426**	**-240**	**-696**	**490**	**-102**	**0**
Northampton Borough Council:							
Finance Managed	0	260	0	0	260	0	-26
Information Technology	0	1,271	0	0	1,271	1,019	0
Insurance	-74	754	0	26	781	362	-74
NBC Managed Income	0	0	-2,312	0	-2,312	0	0
Total	**-74**	**2,285**	**-2,312**	**26**	**0**	**1,381**	**-100**
Northamptonshire County Council:							
External Audit	0	324	0	0	324	247	-31
Pensions	90	0	0	0	0	0	90
Social Care	0	0	-44	0	-44	1,276	0
Policy and Strategy	0	382	0	-17	365	167	-153
Information Technology	62	3,891	0	-46	3,845	5,430	11
Democratic Services	-58	1,360	0	0	1,360	1,023	-45
Procurement	0	0	0	0	0	-8	-8
Total	**94**	**5,957**	**-44**	**-63**	**5,850**	**8,135**	**-158**

Cambridgeshire County Council
There is a forecast underspend of £60k on Insurance due to the recent re-tendering process. There is a £190k underspend in Finance due to the ESPO surplus and reserves being written back to revenue. There is a forecast over spend of £418k due to an increase in cost of corporate telephony with CCC (£68k) An additional forecast overspend of £350k due to the end of the contract and the Enterprise agreement, which previously was to be met from capital. This has now been agreed to be met from Revenue, which in turn releases the capital funding.

Milton Keynes Council
There are no reported variances on the budgets managed by LGSS on behalf of Milton Keynes.

Northampton Borough Council

The forecast underspend within finance managed is due to lower banking charges. The forecast underspend of £74k on insurance is the result of the recent tender.

Northamptonshire County Council

There is a small underspend on the external audit fee. There is a £90k forecast variance with regard to unfunded pension costs for LGSS Law within NCC.

The forecast underspend on Policy and Strategy reflects the favourable rates secured on the new Occupational Health contract, along with more effective business partner roles to reduce the call on this budget. The forecast assumes the same usage levels to the end of the financial year however times of change and unsettlement are factors which may increase the demand.

There is a forecast underspend on Chairman's and Member's Allowances within Democratic Services.

The below additional NCC IT items have now been delivered. This is not included in the above forecast.

- Rationalisation of Wide Area circuits £66k
- NCC managed budget consolidation £25k
- Reduction in NCC Printers and Recharging for Colour Prints £40k

However there is an additional £11k cost due to NCC requiring investigatory work regarding moving their Data Centre, which incurred consultancy fees.

The small £8k underspend to date in Procurement is the bidding fee achieved this year.

Section 3 - LGSS Capital Budget Monitoring – January 2018

Appendix 5
Approved Capital Programme 2017-18 onwards

LGSS Jointly funded schemes are:
Next Generation ERP (NCC, CCC, MKC)
Civica ICON (NCC CCC MKC NBC)

NCC	Expenditure Profile							Funding Profile		
All Figures in £000's Scheme Name	Exp Budget	Prev Year's Exp	Actuals 2017-18	Forecast 2017-18	Forecast Future Years	Total Life of Project	Over/ (Under) Spend v Approved Exp	External	Discretionary	Total Funding of Project
Project Angel & NGW IT	**5,500**	5,355	**647**	**-386**		**5,616**	116	0	5,500	**5,500**
Microsoft ESA & ECI 2014-17	**1,525**	1266	**0**	**259**		**1,525**	0	0	1,525	**1,525**
Next Generation ERP*	**2,024**	546	**2076**	**-836**		**1,786**	-238	100	1,924	**2,024**
Date Centre Refurbishment	**994**	860	**157**	**19**		**1,036**	42	94	900	**994**
Civica ICON #	**267**	221	**39**	**23**		**283**	16	0	267	**267**
Next Generation / Model Office	**383**	151	**30**	**0**	202	**383**	0		383	**383**
Other Schemes less than £200k 2016-17	**10,954**	10,438	**204**	**341**	50	**11,033**	79	559	10,395	10,954
Total	**21,647**	**18,837**	**3,153**	**-580**	**252**	**21,662**	**15**	**753**	**20,894**	**21,647**

- The capital expenditure outturn for 2017-18 is forecast at £2,573k.
- The Project Angel & NGW IT project is forecast to overspend by £116k.
- The ERP (Agresso Gold Build) expenditure budget has been increased by £381k which is fund the additional expenditure caused by the further ERP Gold go-live delay to April 2018.

CCC	Expenditure Profile							Funding Profile		
All Figures in £000's Scheme Name	Exp Budget	Prev Year's Exp	Actuals 2017-18	Forecast 2017-18	Forecast Future Years	Total Life of Project	Over/ (Under) Spend v Approved Exp	External	Discretionary	Total Funding of Project
Next Generation ERP*	**1,615**	1107	0	918	0	**2,025**	410	0	1,615	**1,615**
Total	**1,615**	**1,107**	**0**	**918**	**0**	**2,025**	**410**	**0**	**1,615**	**1,615**

- The ERP (Agresso Gold Build) expenditure budget has been increased by £187k to reflect the already agreed additional pressure. It has since been announced that there is a further ERP Gold go-live delay to April 2018, and the additional capital costs for CCC is £410k, this is currently in the process of being approved.
- Next Generation ERP* is not currently showing any 2017-18 actual spend to date as expenditure is to be recharged from within NCC accounts in March.
- Civica ICON is currently being reported as part of a Corporate Scheme called 'Citizen First'.

MKC	Expenditure Profile							Funding Profile		
All Figures in £000's Scheme Name	Exp Budget	Prev Year's Exp	Actuals 2017-18	Forecast 2017-18	Forecast Future Years	Total Life of Project	Over/ (Under) Spend v Approved Exp	External	Discretionary	Total Funding of Project
Data Hosting	**3,557**	2254	-86	1,061	328	**3,557**	0	0	3,557	**3,557**
ERP Gold	**2,234**	1551	0	1,137	30	**2,718**	484	0	2,234	**2,234**
Revenue and Benefits System	**900**	0	0	147	753	**900**	0	0	900	**900**
Frameworki	**1,000**	0	0	24	976	**1,000**	0	0	1,000	**1,000**
Civica Icon	**147**	147	-147	147	0	**147**	0	0	147	**147**
Total	**7,838**	**3,952**	**-233**	**2,516**	**2,087**	**8,322**	**484**	**0**	**7,838**	**7,838**

- Data Hosting will now continue into 2018/19 to complete server de-commissioning and further shared infrastructure work.
- The ERP Gold go-live date was moved, initially to 2 October, and together with the need for more specialist support has resulted in an overrun on the project budget. The overall costs and split have been agreed with the respective s151's at £634k for MKC, additional funding has been requested and is progressing for approval. It has since beeen announced that there is a further ERP Gold go-live delay to 1 April 2018, additional costs and their split between the Partners has been agreed.
- Replacement Frameworki project has requested Spend Approval and is awaiting formal Cabinet approval. Option appraisal being finalised.
- The Civica Icon project is complete, awaiting invoice. £3k of funding has been returned to source.

Agenda Item No: 8

LGSS Joint Overview & Scrutiny Working Group

19th March 2018

Subject:	**LGSS Strategic Plan and 2018/19 Budget**
Recommendation:	**That the LGSS Joint Overview & Scrutiny Working Group notes the current position concerning the development of the LGSS Strategic Plan and 2018/19 Budget.**

1. Purpose of Report

1.1 This report is intended to enable the LGSS Joint Overview & Scrutiny Working Group (JWG) to consider an update on the development of the LGSS Strategic Plan and 2018/19 budget.

2. Background

2.1 The LGSS Strategic Plan will be undergoing a comprehensive review over the next 6 months and members of the Joint Overview & Scrutiny Working Group will be engaged throughout this process.

2.2 The current Strategic Plan therefore remains as it was, but with an updated financial strategy and budget for 2018/19.

2.3 The LGSS Managing Director will attend the JWG meeting to present the current Strategic Plan and budget for 2018/19 and contribute to any resulting discussion.

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LGSS Strategic Plan

2017-18 to

2021-22

2018-19 Financial Strategy Update

Contents

Approval of plan
This plan updating the financial strategy and budget was approved by LGSS Joint Committee on Wednesday 28th March 2018.

1. Introduction

LGSS Strategic Plan Update

The LGSS Strategic Plan is currently under review and is expected to be revised in Summer 2018 following consultation with key stakeholders including partners, customers and staff. In the meantime this document updates the financial strategy and budget figures for the period 2018-19 to 2022-23.

Background

LGSS is one of the largest public sector shared service operations in the UK and has grown significantly since it was originally created by Cambridgeshire County Council (CCC) and Northamptonshire County Council (NCC) in October 2010.

LGSS has steadily expanded with many new public sector organisations choosing to join through delegation during the past few years, including Norwich City Council (NoCC), Northampton Borough Council (NBC), Olympus Care Services and Northamptonshire Healthcare NHS Foundation Trust (NHFT). Indeed NoCC was the first major new customer to join LGSS following its creation and they very recently and happily renewed their LGSS relationship for another five years as from April 2017.

Figure 1: LGSS regional focus

Another landmark development for LGSS happened in April 2016 with Milton Keynes Council (MKC) joining LGSS as a full scope partner and becoming a full member of the LGSS Joint Committee governance structure.

LGSS also provides services to hundreds of local schools, several local emergency services, Clinical Commissioning Groups (CCGs), and many district and borough councils. LGSS offers both full scope business support service agreements and single service offerings, including: payroll, finance and transactions, human resource (HR) advisory and recruitment, revenues & benefits, internal audit and risk, pensions administration, procurement, information technology (IT), democratic and legal services.

LGSS Core Region Focus

LGSS growth is focused in the region (as shown in Figure 1) and within the wider public sector which means staying very close to our partners and customers and keeping teams local. This enables better joined up and interworking relationships to be developed with each customer, regardless of their location and the sector they operate within.

LGSS Business Ethos

With a business ethos of 'think like a customer, act like a tax payer' LGSS operates through a shared not-for-profit risk and reward model between all LGSS partners, ensuring that all benefits and savings from sharing remain within the public sector and allow LGSS to operate as a genuine, trusted and integrated shared services partner.

LGSS has around 1,696 full time equivalent employees located across major operations in Cambridge, Norwich, Northampton, Milton Keynes, Kettering and Wellingborough. LGSS continues to grow steadily with a regional focus on local authorities, health and care, schools and other local public services requiring good quality, resilient, yet flexible and cost effective business support services.

LGSS enters into bilaterally negotiated shared risk and reward delegation agreements for each partner, allowing the increasing economies of scale, re-use of best practice, the elimination of duplication and optimally managed overheads to improve overall resilience of key services at a much lower cost for everyone. LGSS standardises processes and consolidates IT systems and services over time, and can more effectively renegotiate supplier contracts to generate more significant savings for all partners and customers.

2. LGSS Vision, Mission, Strategy and Values

LGSS Vision

A vision usually aims to define the essence of 'why' any organisation exists and its overriding purpose for existing. LGSS was established as a 'by the public sector, for public sector' shared service by its original founding councils. The reasoning was that it would continue to operate as a trusted, integral part of their own public service organisations while tasked with delivering major efficiency benefits of shared services and increasing scale, through locally focused growth with new public sector partners choosing to join LGSS.

The LGSS vision is focused around ensuring and enabling each LGSS partner to achieve their own vision and desired community outcomes and it is for LGSS to help each partner to operate in the most cost effective way possible.

Vision: Our partners are renowned for delivering the best and most cost effective frontline services and community outcomes attainable

The LGSS vision is entirely focused on what is important and necessary to partners and on what LGSS can do to enable our partner organisations' visions. The underpinning LGSS ethos promoted across all employees is to 'think like a customer, act like a tax payer' whenever called upon to provide services.

LGSS Mission

The mission of any organisation should summarise and explain 'what' the main role of the organisation is in delivering its overall vision. The LGSS mission is to be focused on being an invaluable and integral part of its partner organisations and to continue working seamlessly with frontline and other retained and partner services and be totally focused on supporting the outcomes and priorities of the partners.

Mission: To be an invaluable and integral part of our partner organisations, providing cost effective, resilient services and innovative expertise to help transform frontline services focused on delivering desired community outcomes

LGSS Strategy

The LGSS strategy is a summary of 'how' LGSS as an organisation aims to achieve its declared vision and mission and outlining the overall strategic focus, choices and approach to be made along the way. The LGSS strategy emphasises a need to acquire increasing scale as a means of delivering primary benefits to LGSS partners, and not as an end in itself (nor for the sole benefit of LGSS). LGSS growth is locally (regionally) focused and LGSS will seek likeminded public service organisations who choose to join LGSS for the overall benefit of all partners by increasingly choosing to share and invest together through LGSS.

Strategy: To acquire and deliver economies of scale benefits for all partners (as a leading public to public shared service) by continually exploiting greater sharing, convergence and service innovation

LGSS aims to innovatively combine economies of scale with increasing convergence of systems and processes, both within LGSS and across retained partner organisations, to increasingly enable release of mutual benefits for all LGSS partners by enabling more and easier public sector collaborations.

LGSS will proactively and innovatively seek out beneficial, joint investment business cases for new approaches to more joined up public service delivery channels, services models and IT systems. LGSS will drive and facilitate innovation in public services for the benefit of all citizens served by the partner organisations.

LGSS Values

The LGSS values are those attributes, knowledge and behaviours we expect all LGSS employees to actively seek to acquire and then display in their everyday workplace practices and interaction with their partner colleagues.

These LGSS values are a common baseline for LGSS personnel and are meant to both complement and align with the values of each partner organisation in which our teams work and support. We would expect LGSS employees to be familiar with and support the additional specific values of their partner organisations in which they operate and support.

3. Key Goals and Objectives

To guide LGSS towards the delivery of its overall vision, mission and strategy for 2017-18 to 2021-22, there are six key goals which each have underpinning SMART objectives for achieving each goal.

Goal 1	To jointly plan with each partner their LGSS services and business support requirements aligned to their priorities, annual service plans and Medium Term Financial Plan needs.

Enabling key objectives:

- To understand and agree with each partner via their LGSS services commissioner/intelligent client an annual LGSS budget and linked service level agreement (SLA) and/or resource plan as appropriate. This is to be completed as an integral part of the Medium Term Financial Planning/Business Planning arrangements with each partner and the LGSS Business and Finance Planning team.
- Agree annual joint resource plans and budget plan procedures with each partner - identifying and agreeing new resource demands jointly through Project Management Office planning arrangements to be agreed with each partner.
- Agree associated adjustments to SLAs/key performance indicators (KPIs) and non-business as usual funded LGSS resource requirements with each partner.

- Agree LGSS support requirements for major change programmes, transformation programmes and capital projects.

Goal 2	To deliver the LGSS five year business plan and objectives as approved by the LGSS Joint Committee.

Enabling key objectives:

- Deliver the Enterprise Resource Planning (ERP) Gold programme - successfully implement and realise the subsequent £9.8m savings.
- Achieve the (MKC) outline business case (OBC), projects and £4.2m savings up to 2021-22.
- Renew and deliver the NoCC, NBC and NHFT partnership delegation agreement (PDA) commitments as per PDAs and business plans.
- Deliver the residual LGSS three years' service review savings.
- Achieve LGSS Law alternative business structure OBC five year's incremental income plan.
- Achieve planned LGSS Revenues and Benefits five years' OBC PDA savings, income and surpluses.

Goal 3	Continue to deliver the planned economies of scale benefits for all partners through continued growth and doubling in scale of LGSS over five years.

Enabling key objectives:

- A continued strategic focus on identifying, developing and securing a fourth and fifth full partner (shareholder) within two and four years respectively, each based on compelling business cases.
- To develop and tactically pursue a five year growth and business development plan for each LGSS service line, with specific growth targets and objectives in these areas:
    - To double the turnover and profits of LGSS Law by 2020-21 i.e. turnover up from circa £8m to £16m per annum.
    - Secure a third and fourth full partner for LGSS Revenues and Benefits and double in size within two and four years respectively.
    - Double the scale of LGSS IT services through growing existing and new partner services over the next five years.
- Secure the first LGSS franchise partner for ERP Gold – an 'out of region' partnership within two years and a second by year four.
- To double the current trading income contributions from each professional service line within the next five years, with a specific focus on income growth plans for pensions services, audit services and especially for strategic procurement based on a greater self-

funding model, from generating additional supplier/contract savings for partners than currently planned.

Goal 4	For LGSS to be valued as an innovator and change agent for its partners to help improve and transform their frontline services to citizens.

Enabling key objectives:

- To be a proactive enabler with partners in the establishment of innovative models for their service delivery and financing.
- For LGSS IT to proactively define and drive a convergent IT Business Systems Strategy with its partners for all back office and frontline systems and services, including a convergent Health and Care Systems roadmap.
- Growing the capacity and skills capabilities of the LGSS Digital Services and Solution Group to help innovation and support for delivery of the Digital First agenda.
- Creating a flexible and agile service delivery capability for supporting business change and transformation with partners.
- Successfully launch with CCC, MKC and NCC during 2017 the newly established, jointly owned Opus LGSS recruitment agency services capability and then significantly develop and grow it across the LGSS region.
- Proactively manage continuous service improvement and innovation with the ERP Gold solution through engagement with end users and user groups within key partners.
- Create and launch a more effective strategic sourcing capability with agreed increments from each partner involved (with each partner Chief Finance Officer) to extend the value added offer by the LGSS Procurement Service and the delivery of much greater savings from greater cooperation across all external partners.

Goal 5	For LGSS to be nationally recognised as the most cost effective, highly rated and agile business services provider within the UK public sector.

Enabling key objectives:

- Achieve ‘upper quartile’ cost/quality performance for all LGSS services as measured against an appropriate and partner agreed benchmarked measure.
- Consistently achieve all agreed customer satisfaction ratings and measures for each partner and customer.
- Jointly plan with each partner and customer aligned to their Medium Term Financial Plan (MTFP)/Business Planning requirements.
- Always act in the wider interest of partners, i.e. not restrained by an SLA/KPI mindset and to do so by acting in a way that is always in the best interests of partners.
- Instil a ‘continuous improvement’ and ‘can do better’ culture in the LGSS workforce whilst operating as an integral part of the host partners and their cultures.

Goal 6	To be an attractive 'employer of choice' for recruiting and retaining the best people (by offering excellent career opportunities and developing their skills and talent).

Enabling key objectives:

- The LGSS HR Director and Managing Director, in conjunction with the LGSS Management Board will develop and agree an overall LGSS Workforce Strategy for the subsequent approval by the LGSS Management Board and the LGSS Joint Committee. This will bring a coherent and consistent approach for all of the LGSS workforce which will help lead and develop the LGSS workforce effectively in the future, identifying the main issues and challenges LGSS faces from further expansion, as well as the main options, including further workforce developments and investments in skills required through each key LGSS Professional Community (including expanding apprenticeships schemes and graduate programmes, as part of a more 'grow our own' talent plans).
- To develop and launch a plan for each LGSS Professional Community that has direct involvement and leadership from each relevant LGSS Director and their heads of service working with the LGSS HR Director.

4. Future Developments

Business transformation and innovation are crucial elements of the strategic business plan. Where there is commonality between customers and partners, LGSS will investigate and assess current processes in order to identify best practice and integrate, streamline, standardise and deploy the transformation across all. This enables LGSS to offer superior service levels combined with economies of scale in terms of technology, resources and efficiencies.

LGSS aims to help transform front line services so they can deliver their desired community outcomes more cost effectively and to the highest quality attainable. LGSS supports many public sector organisations both large and small with its skilled people, systems and knowledge of the public sector and its needs.

LGSS is constantly seeking ways to improve the services it delivers and has a wide range of programmes in place which will bring improvements in service delivery whilst also meeting the needs of customers. Some of the key developments are detailed below.

Next Generation Working/Smarter Business Programmes

The delivery of Smarter Business and Next Generation Working principles across the partners is crucial to ensure the IT infrastructure, skills and training to fully embrace flexible working is provided.

Next Generation Working

The vision for the Next Generation Working programme is to create:

- A more flexible approach to how, when and where work is done, with whom we work and the tasks we work on.
- A more flexible, mobile and productive workforce who are IT confident and capable.
- Office environments and IT resources suitable for more flexible and mobile working.
- A digital first approach which makes information more accessible offline and reduces the need for paper documents, duplicate entry and bureaucracy.

Enterprise Resource Planning (ERP) Solution

One of the key systems developments is the design, build and implementation of the next generation ERP solution.

The LGSS ERP 'Gold Build' is a shared service ERP system being developed in partnership with Unit4 Business World software. It has been designed around the principles of simplification, standardisation, automation and self-service.

It will become a key offering of LGSS, which will bring potential customers both quantitative and qualitative benefits including:

- Enabling convergence to shared and common processes and procedures and greater use of self-service.
- Single instance on shared infrastructure in the LGSS data centres/private cloud.
- Shared service licence model with significant economies of scale and flexibility.
- Full functionality across finance, purchasing, fixed assets, HR, payroll and management information.
- Each organisation has their own separate 'client', a copy of the Gold Build, to ensure full data separation and security.
- LGSS Business Systems provide functional management and support and a joint development roadmap, maintaining the Gold Build design principles with a single design authority.
- Integration and interfaces with partner line of business systems through 'BizTalk' middleware technology.

Health and Care IT and Systems

A key area of development for LGSS is enhancing integration within the health and care sector by joining up health and care systems across different customers. The LGSS partnership with NHFT has enabled LGSS to develop its IT expertise within the health sector. An IT and Systems Strategy for health customers is being developed which will enable LGSS to create a Health and Care Systems Centre of Excellence.

Pensions System Upgrade

The Pensions Service is currently implementing the latest payroll module of the Altair pension administration system. This will enable LGSS to offer a fully integrated, modern payroll and administration solution and scalable shared systems platform ideal for supporting the pooled pensions funds agenda and it will immediately create efficiencies such as reduced inter-system reconciliations. It is anticipated that a merged payroll and administration database will be in place by March 2017. In addition there are plans to bring the hosting of the Altair platform in house.

LGSS Law Ltd – Next Generation Legal Case Management Systems

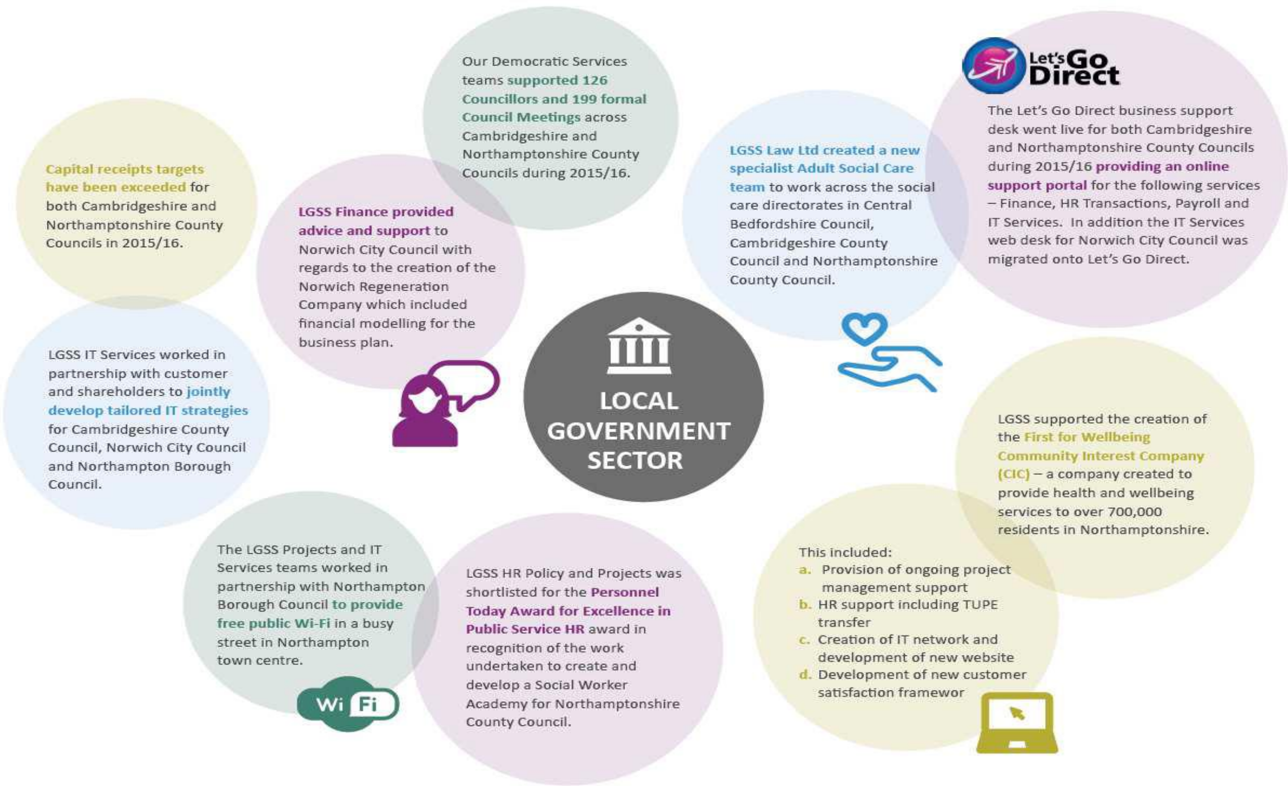
LGSS Law Ltd has selected its new case management system which will go live in early 2017, hosted and supported by LGSS IT as a private cloud based next generation system and service. This will create a scalable, shared IT systems platform offering the most modern, agile procedures for supporting a secure and cost effective legal shared service.

LGSS Digital Solutions and Services

To help drive and deliver the Digital First agenda for LGSS partners in common with aspirations by all UK public services, LGSS has taken the initiative and created a significant and flexible resource pool of very talented digital solutions developers using Agile development techniques to produce rapid and innovative digital solution and services within weeks (rather than taking months or years using more traditional IT approaches).

As a shared resource capability LGSS is able to develop once and then reuse its digital solutions, services and assets for the benefit of all LGSS partners/customers, which dramatically speeds up the delivery of more digital solutions and services whilst significantly reducing costs for all LGSS partners. A digital service roadmap will be developed and launched during 2017 with partners by LGSS IT.

More examples of LGSS service improvement and innovation initiatives:



6. LGSS Financial Strategy

Approach

The original five year strategic plan and financial strategy for LGSS was based on the business case agreed by both Cambridgeshire and Northamptonshire County Councils. The initial years of the LGSS financial plan and strategy were based primarily on consolidating key business systems, rationalising senior management teams between the two founding authorities and establishing merged directorates and single heads of service; and subsequently consolidating business systems, standardising processes, merging service teams and co-locating in the region certain transactional and operational services where most cost effective and sensible to do over time.

The initial merger plan was meant to be quickly followed by LGSS attracting its third and fourth full scope 'shareholder' partners, assumed to be other local county councils attracted to join LGSS within the later years of the plan. This expansion was in order to derive further savings from increased economies of scale using the same approach to converge processes, systems and teams as in earlier years.

While the original planned expansion of LGSS did not happen as envisaged, it still successfully delivered its savings and growth plans and did so with significant over achievement in most of its initial five years. This over achievement enabled LGSS to make several dividend style payments to both CCC and NCC in recent years, as well as allowing

LGSS to be mostly self funding for key LGSS investments including all core transformation and workforce rationalisation costs to date.

The expansion of LGSS has seen a mix of customers joining though fixed term delegation agreements (as LGSS customers) including NoCC, NBC and NHFT. More recently MKC joined LGSS as a full partner and member of the LGSS Joint Committee. The growth in LGSS customers has added to the trading income exposure and risk of the overall partnership, whereby LGSS is subject to the uncertainties of renewals and tendering of delegated services as such customer agreements come to a natural end. It is important to note that MKC, as part of its Partner Delegation Agreeement, has no liability to the outstanding budget demands of LGSS as at 1 April 2016 and its only exposure is the delivery of the £4.248m in the business case.

The lack of a third, until recently, and as yet no fourth 'shareholder' full partner, combined with additional savings demanded by CCC and NCC over recent years has necessitated LGSS initiating a rolling programme of LGSS service reviews which aim to identify new savings in addition to the original LGSS five year business case reductions.

Five years of major efficiency savings and integration, along with many new customers and a third shareholder partner joining LGSS, has seen the original LGSS plan delivered. This combines to require much greater sophistication and transparency on LGSS service activity levels and their associated activity costs i.e. for each LGSS service per customer/partner to enable a better, more informed annual service planning and funding discussion. This will allow LGSS much greater alignment of resources to funding levels, agreed *with* and *for* each partner and customer as part of a more formal agreement regarding their specific SLAs/KPIs and service volumetrics.

This strategic plan, and specifically the choices which need to be made on future efficiencies and potential service reductions, demands a greater connection between the SLAs/KPIs agreed with each partner and customer and their direct funding for each service line with LGSS.

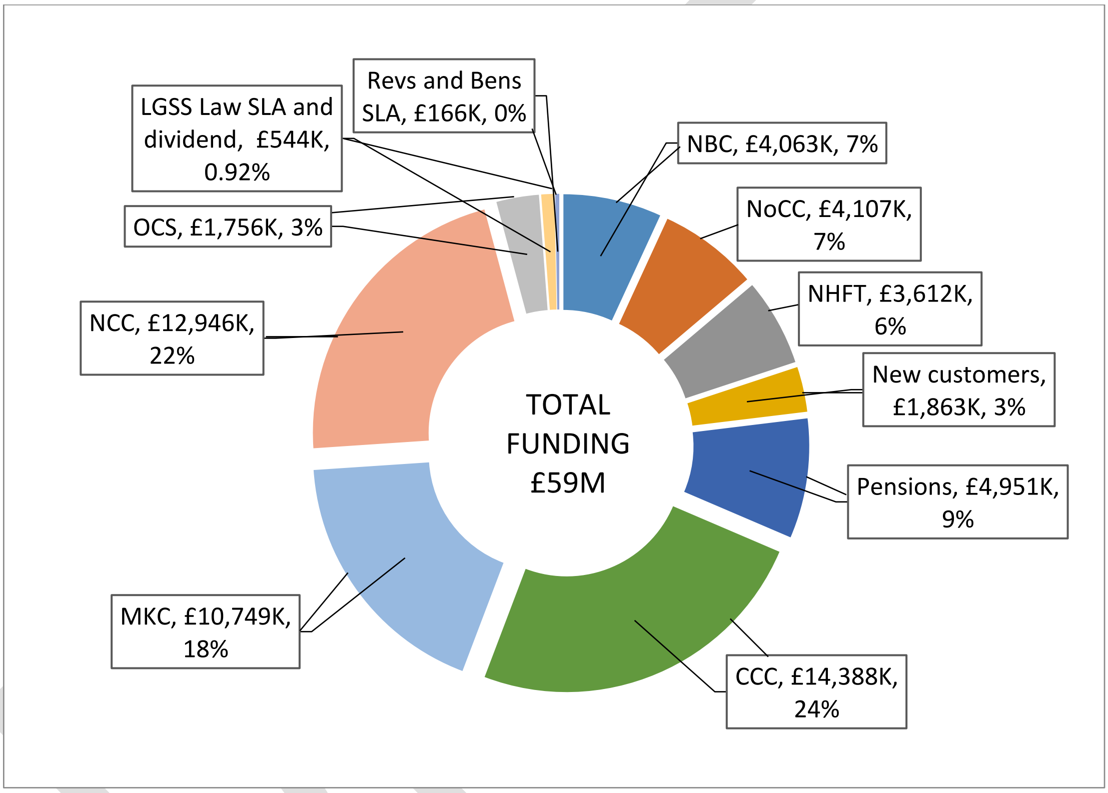
As part of the LGSS target operating model, each partner's Chief Financial Officer acts as the lead commissioner (or intelligent client) for all LGSS services; they have been part of the discussions on the update of this Financial Strategy, primarily through their membership of the LGSS Management Board and bilaterally as part of their own MTFP and Business Planning arrangements.

This planning approach was further tested informally with the LGSS Joint Committee in a workshop session in late 2017. Also in place since 2017-18 is a rolling programme of reviews of all services which commenced in autumn 2017.

Before addressing the detail around the financial challenges and future funding gaps arising from inherited LGSS income streams and growth plans, it is worth exploring the extent of ongoing trading income exposure (and inherent financial risk to LGSS budgets) included in the current plans as they stand at this time.

Chart 1 presents a high level breakdown of LGSS's funding from its three full 'shareholder' partners compared to the other trading and customer incomes it generates.

Chart 1: LGSS funding streams by partner/customer organisation



Only circa 64% of LGSS's total £59m of funding is directly paid for by CCC, MKC and NCC collectively. This leaves around 36% of LGSS budgets/funding associated with, and exposed to, trading income (which benefits mainly CCC and NCC currently).

This high level of ongoing trading income risk at 36% is generated from various external customer revenue sources such as schools, districts and boroughs, and health trusts. In particular a few major exposures exist with key partner delegation agreements with NBC, NoCC and NHFT and each is exposed to renewal loss every five years. Loss of any of these three customers for example would have a major impact on the funding levels and current levels of service provided by LGSS to CCC and NCC especially.

There are two clear choices in meeting these trading income risks and projected future funding gaps for LGSS going forward. Firstly LGSS could make commensurate service level quality reductions to compensate for the loss of these trading incomes, but given the scale of internal efficiencies and savings taken to date, this would mean major impacts to CCC and NCC on LGSS service quality.

The second option is further LGSS growth and expansion. This would lead to even more exposure to trading income risks for LGSS but would allow for further economies of scale benefits to help close the LGSS financial planning gaps for future years. However, further LGSS growth not based on acquiring a fourth and fifth full 'shareholder' partner will only increase LGSS trading income exposures and financial risks to unacceptable and financially imprudent levels.

Any LGSS strategy for growth should aim to achieve the 'right' balance of additional growth from (fourth and fifth) full shareholder partners alongside controlled growth from LGSS customers. This approach should over the next five years aim to rebalance the amount of non-shareholder (customer) to shareholder revenues and funding, i.e. bring the proportions of non-shareholder revenues down from 35% to under 20% within five years.

This is why a growth path for both LGSS Law Ltd and LGSS Revenues and Benefits has been pursued that is heavily based on expansion through acquiring additional 'shareholder' based partnerships, such as Central Bedfordshire Council for LGSS Law Ltd, and NBC for the LGSS Revenues and Benefits model. These growth plans and 'shareholder' partner relationships create much greater 'built in' longevity and permanency to such partnerships for all concerned, and hence it is a much lower financial risk.

LGSS will continue to pursue a 'balanced' growth strategy and plan based around the Four Point LGSS Growth Strategy, as previously discussed and approved with the Joint Committee, summarised as follows:

1. Strategic focus on acquiring a fourth and fifth full 'shareholder' partner within two and four years respectively from within the public sector in our region, in order to achieve the ideal 80%/20% balance of LGSS delegated budgets between shareholders and customers.
2. Pursue further tactical growth from key LGSS service lines, again based on an 80%/20% balance of delegated budgets from shareholder/customer, including LGSS Law, LGSS Revenues and Benefits and even the newly launched Opus LGSS recruitment agency. This service line based tactical growth approach will also extend to include LGSS IT, LGSS Audit, and LGSS Business Systems.

3. Focused expansion and development of services and IT solutions for integrated Health and Care, led by the LGSS IT Services Directorate.
4. Develop an LGSS franchise model that exploits the reuse of LGSS developed shared services assets, knowledge and systems with new public partners operating outside our region, initially exploiting and offering LGSS ERP Gold as a hosted service offered on a paid basis 'down a wire' into other public sector shared service enterprises who are likeminded across the UK.

2018-19 to 2022-23 Position

The 2018-19 to 2022-23 position is driven by three key factors – emerging pressures across the partnership, the business planning demands of the partners and the need to deliver further traded income. This ask is summarised in Table 1 below.

Table 1: Financial Asks – 2018-19 to 2022-23

	2018-19	2019-20	2020-21	2021-22	2022-23
	£000	£000	£000	£000	£000
Pressures	100	0	0	0	0
Business planning commitments:					
CCC	706	619	607	566	284
MKC	520	465	415	TBD	TBD
NCC	803	708	351	TBD	TBD
Total ask	**2,129**	**1,792**	**1,373**	**566**	**284**

The following Revenues and Benefits savings have been removed from these asks as they are now within the planning remit of the Revenues and Benefits Joint Committee.

	2018-19	2019-20	2020-21	2021-22	2022-23
	£000	£000	£000	£000	£000
Business planning commitments:					
MKC	246	492	155	187	0

The specifics of the MKC five year business case which brought MKC into the LGSS partnership delivers the current MKC five years' savings requirement. It also makes a significant contribution towards the planned LGSS shared services efficiencies for CCC and NCC from greater scale with new partners joining.

In addition, the LGSS business plan has further commitments which are partly addressed through the final year of the three year service review programme and from additional trading income from new customers and new business growth plans. The overall LGSS position is summarised in Table 2 and highlights the gap in 2018-19 and future years.

Table 2: Delivery Plan – 2018-19 to 2022-23

	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000
Service reviews	650	0	0	0	0
MKC business case	992	225	200	0	0
Increased trading income	64	38	-13	0	0
Service Line additional income targets	188	169	120	220	220
Contributions to (-)/from business case profiling reserve	-171	440	415	0	-207
TOTAL	**1,723**	**872**	**722**	**220**	**13**
Residual gap	**406**	**920**	**651**	TBD	TBD

The following Revenues and Benefits savings have been removed from these asks, and the increased SLA charges for services provided by LGSS to Revenues and Benefits have been included.

	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000
MKC business case savings	245	492	155	187	0
Less: Increased LGSS SLA trading income	89	143	0	0	0
TOTAL	**156**	**349**	**155**	**187**	**0**

Financial Plans

The summary level plans detailed within the Financial Strategy are supported by the following analysis:

- Budget build (Table 3)
- Income/expenditure analysis (Table 4)
- High level directorate by directorate/service by service analysis (Table 5)
- Detailed savings/efficiency plans (Tables 6a, 6b and 6c)

Over the past five years the emphasis has been on a top down approach and the presentation of the plan has been focused on the savings.

Given the greater pressure for efficiency and reduction, it is essential to ensure the base numbers are robust. The following budget build and income/expenditure analysis tables provide this greater assurance and are linked to individually agreed partner SLAs linked to their MTFP/business plans.

Further improved financial systems will enable improved assurance between employee budget and the agreed establishment to deliver services.

Table 3: Budget Build 2018-19

	CCC £000	MKC £000	NCC £000	Total £000
Base budget 2017-18	20,580	10,650	27,963	59,192
Transfers to/(from) LGSS base	871	257	0	-1,128
Gross expenditure budget – base	21,451	10,906	27,963	60,320
Pressures	76	363	350	789
Expenditure inflation	91	TBA	6	97
Transfer from Reserves	0	0	-447	-447
Savings	-706	-520	-803	-2,029
Customer specific savings	0	0	-562	-562
Gross expenditure budget – revised	20,912	10,749	26,457	58,118
Income	-12,019	-1,558	-16,010	-29,587
Income inflation	-22	0	0	-22
	-12,041	**-1,558**	**-16,010**	**-29,609**
Net budget 2018-19	**8,871**	**9,191**	**10,447**	**28,509**

During 2017/18 there have been a number of transfers in and out of the base budget, the key one being Learning and Development in CCC.

These are reflected in the revised opening base budget in Table 3 above. The operational budget analysis shows how the budgets for LGSS have been created by taking the base budgets of the three authorities and adjusting them to arrive at the final budget.

Pressures:

- In CCC there are recognised pressures of £76k that have been added relating to the apprenticeship levy (£15k) and the impact of the National Living Wage on pay costs.
- In NCC the pressure of £350k from loss of NCC schools income has been addressed for the future

- In MKC the pressure of £363k addresses historic IT and HR budget shortfalls

Inflation:

- Inflation for CCC has been calculated by budget line and totals £69k net
- In NCC there is no salary inflation for 2018-19 and just a small amount of £6k non salary inflation
- In MKC the inflation money is held centrally and will be allocated as appropriate during the year

Transfer to reserves:

- In NCC there is a £447k transfer to reserves in line with the MTFP.

The savings that have been included in the three authorities MTFPs are included at the agreed amounts of £706k, £520k (excluding Revenues and Benefits) and £803k for CCC, MKC and NCC respectively. A further £157k of savings in the MKC MTFP relate to Revenues and Benefits and are excluded from the numbers above. In addition, Council specific savings of £587k have been included for NCC impacting only on services to that Council, giving an adjusted gross budget figure of £60,519k. The base budget for income is £29,786k and CCC have added inflation of £22k to their element. MKC and NCC have not included inflation for their income.

There is often too much emphasis placed on the combined net expenditure of the three shareholder councils when considering the activities of LGSS. It is now a considerable undertaking and it is important to have visibility on the total spend and various income streams, the risk attributable to the trading streams in particular was explored in the Financial Strategy above.

Table 4: Income/Expenditure Analysis

Income/expenditure line	**Net budget £000s**
Direct employees	50,337
Premises costs	134
Transport costs	775
Supplies and services	5,807
Third party contract payments	985
Transfer payments (grants to users)	734
Recharge income	-654
Gross expenditure – total	**58,118**
Income	29,609
Net expenditure – total	**28,509**

Sound financial planning drives accountability and the following table sets out the budgets which the directors and heads of service are bound to deliver.

Table 5: Directorate/Service Budgets (not yet available)

LGSS services by directorate	Gross expenditure budget £000	Income budget £000	Net expenditure budget £000
Finance Services Directorate:			
LGSS Director of Finance			
Professional Finance – CCC			
Professional Finance – MKC			
Professional Finance – NCC			
Financial Operations			
Integrated Finance Services			
LGSS Business Planning & Finance			
Audit & Risk			
Pensions Operations			
Finance Customers and Other			
Total Directorate			
Human Resources Directorate:			
HR Central Management			
Policy & Strategy			
HR Business Partners – CCC			
HR Business Partners – MKC			
HR Business Partners – NCC			
NCC Schools			
MKC Schools			
Learning & Development			
HR Transactional Services			
Total Directorate			
Business Services, Systems & Change Directorate:			
BSSC Leadership			
Procurement & Insurance			
LGSS Business Systems & Change			
Customer Engagement			
Business Development			
Language Service			

LGSS services by directorate	Gross expenditure budget £000	Income budget £000	Net expenditure budget £000
Total Directorate			
IT Directorate:			
Cambridgeshire County Council			
Milton Keynes Council			
Northamptonshire County Council			
MKC IT Schools			
IT Customers			
Strategy & Architecture			
Digital Services			
Service Delivery			
Total Directorate			
LGSS Law and Governance Directorate:			
Democratic Support Services			
CCC Corporate Legal Budget			
Total Directorate			
Managing Director & Support			
Managing Director & Support			
Trading Account (Part)			
Central Trading			
TOTAL	**58,118**	**29,609**	**28,509**

Finally, delivering the budget will require achieving the transformation set out in the MKC outline business case agreed by all shareholder bodies' councils, LGSS Joint Committee and also the third year of the three year service review programme. These are set out on a line by line basis with a brief explanation of the actions/change required and impact.

Table 6a: Service Pressures

Service area	2018/19 £000	Descrption
IT		**IT**
Norwich Head of Service Post	100	Norwich Head of Service Post
	100	

Table 6b: Savings/Efficiency Plans – Service Reviews

	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000
Business Services, Systems & Change					
ERP contract changes & new platform	-600	0	0	0	0
Strategic Management					
Strategic Management	-50	0	0	0	0
TOTAL	**-650**	**0**	**0**	**0**	**0**

Table 6c: Savings/Efficiency Plans – MKC Business Case

	Prior Years £000	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	Total £000
Finance	-295	-145	-50	-50	0	-670
Audit	-175	-150	-15	-15	0	-220
Finance Transactions	-247	-142	0	0	0	-389
Transactions	-247	-98	0	0	0	-345
HR Professional	-125	-95	0	0	0	-220
IT	-283	-220	-50	-50	0	-603
DSS	-30	-30	-30	-30	0	-120
Procurement	-60	-75	-60	-35	0	-230
Insurance	-46	-41	-20	-20	0	-127
TOTAL	**-1,508**	**-991**	**-225**	**-200**	**0**	**-2,924**
Original Ask/Requirement						
MKC – Core	580	520	465	415	0	1,980
LGSS – Core	300	300	200	200	0	1,000
TOTAL	**880**	**820**	**665**	**615**	**0**	**2,980**
Balance	**-628**	**-171**	**440**	**415**	**0**	**56**

The following revenues and benefits savings and asks have been excluded:

	Prior Years £000	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	Total £000
Revenues and Benefits	-287	-370	-731	-260	-313	-1,961
NBC - Revenues & Benefits	43	124	239	105	126	637
TOTAL	**-244**	**-246**	**-492**	**-155**	**-187**	**-4,248**
Original Ask/Requirement						
MKC - Revenues & Benefits	250	250	250	250	0	1,000
LGSS - Revenues & Benefits	145	73	73	73	0	364
TOTAL	**395**	**323**	**323**	**323**	**0**	**1,364**
Balance	**151**	**77**	**-169**	**168**	**-187**	**40**

Table 6d: NCC Specific savings

Service area	2018/19 £000	2019/20 £000	2020/21 £000	Description
Democratic Services	71	0	0	Reprocurement of webcasting services and reduction in posts supporting the Cabinet, Chairman and Lord Lieutenant
Audit	60	0	0	Reduction of 200 days in the audit plan
Finance Operations	0	33	0	Reduction in posts following ERP implementation – NCC portion as savings shared with CCC and MKC
Health,safety and wellbeing	45	0	0	
Learning and development	300	0	0	Reduced training spend across NCC
HR and payroll	0	63	0	Reduction in posts following ERP implementation – NCC portion as savings shared

Service area	2018/19	2019/20	2020/21	Description
IT	71	0	0	Rationalisation of posts supporting NCC
Customer engagement	15	0	0	Cease all customer satisfaction and performance framework activity
Business Systems	0	20	25	Savings post ERP implementation
	562	**116**	**25**	

Table 6e: Trading income - Service charges

Customer type	**2018/19 £000**
Current customers	2,037
New customers	272
Total	**2,309**
Trading target	2,245
Increase	**64**

Table 6f: Service Line additional income targets

	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000
Finance					
Audit	-30	-20	-20	-20	-20
Pensions	-50	-50	-50	-100	-100
Business Services, Systems & Change					
Language service new business	-58	0	0	0	0
OPUS LGSS recruitment agency (LGSS 49% share)	0	-49	0	0	0
IT					
Digital	-50	-50	-50	-100	-100
TOTAL	**-188**	**-169**	**-120**	**-220**	**-220**

7. Financial Monitoring, Planning and Governance Procedures

There has been a sound financial management framework in place. There is always room for improvement and there are some changes planned especially with the addition of MKC as our third 'shareholder' partner.

There is a self-service approach with LGSS directors, heads of service and senior managers being responsible for the management of budgets including forecasting spend/income, controlling activity and taking mitigating action where necessary. They are supported, advised and challenged by the Finance Business Partners in this activity, including joint formation of savings proposals, presentation of the numbers and actions to the directorate management teams (DMT).

On a monthly basis the directors meet with the LGSS Managing Director, LGSS Finance Director and LGSS Head of Business Planning and Finance to review progress. This has previously focussed on income and expenditure forecasts, delivery of savings programmes monitored through a detailed tracker and exploration of/progress on mitigating actions where there is variance. For 2018-19 there will additionally be greater analysis of the establishment particularly to ensure accurate reporting of vacancies.

The full financial position is considered monthly by the LGSS leadership Team. Given the background discussion with the directors which have already taken place the focus is on actions and direction of travel rather than validation of forecasts. The full financial position is also considered monthly by the LGSS Management Board which is attended by the Chief Finance Officers of our 'shareholding' partners.

The LGSS Joint Committee receives every monthly budget monitoring report and is presented with the most up to date monthly figures when they meet; the LGSS Finance Director or appropriate Finance team member are available to brief members of the Joint Committee if required.

The financial management arrangements have become more complex as there has been greater integration and the delivery of further savings along with the addition of a third partner. The team will explore options for a fresh approach to improve the financial management and also the financial reporting of LGSS's performance during 2018-19. This review will naturally take note of the potential benefits available through the implementation of ERP Gold.

8. Customer Satisfaction Framework

Central to our customer relationship management is our Customer Satisfaction and Engagement Framework, the key components of which are shown in the diagram below. The framework ensures that LGSS receives a range of feedback, from Chief Executives at the strategic level, to surveying end users immediately after a service experience.

LGSS overlays key performance indicator data to ensure a rounded view of its performance and delivery of services to customers and partners; this enables LGSS to proactively develop and deliver service improvements where required and to meet changing requirements.

The Chief Financial Officers, as lead commissioners, have a significant role within this framework. The role includes performance reporting, agreeing annual budgets, SLAs, KPIs and maintaining close relationships as part of an integrated team approach.

An overview of each component of the framework follows:

Annual End-user Satisfaction Survey

An annual, online all end-user satisfaction survey is undertaken each September which provides every end-user with the opportunity to give direct feedback and formally rate their LGSS service experiences over the past year.

Annual Strategic Executive Interviews

The executive interview with CEOs and Directors takes place during February and March, with councillor interviews being held in March/April where appropriate. These are face to face structured interviews held by the LGSS Head of Service for Customer Engagement, Business Development and Change. The interviews aim to seek feedback on our strategic relationship, the value for money LGSS delivers, our customers priorities, and on matters such as the existing LGSS governance arrangements.

Service User Feedback Forms

At the conclusion of each service provision with an end-user, we offer a simple e-survey based ‘in the moment’ opportunity to rate their service experience. These feedback forms are used to measure customer satisfaction for each of the main service areas and enables LGSS to identify and address any issues as they arise.

Comments, Compliments and Complaints

Comments, compliments and complaints are captured via a single point of contact and provided to the relevant heads of service/individual within 24 hours to action accordingly.

Customer Issues Log

Customers can report contractual and/or performance issues at any time. All issues are registered, responded to in a timely manner and monitored through to resolution.

Key Performance Indicators

Performance is measured in each LGSS service through a set of KPIs. These consist of specifically agreed targets which are reported regularly to our partners management teams and reviewed with the lead commissioners.

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Agenda Item No: 9

LGSS Joint Scrutiny Working Group

LGSS IT Strategy – future of IT Services

Ian Farrar – Director of IT

Sam Smith – Head of Strategy & Architecture

Version 01.00 (27/11/2017)

LGSS IT Strategy supporting the LGSS Strategic Vision# (Covered in previous session)

Goal No. 1

- To jointly plan with each partner their LGSS services and business support requirements aligned to their priorities, annual service plans and Medium Term Financial Plan needs.

Goal No. 2

- To deliver the LGSS five year business plan and objectives as approved by the LGSS Joint Committee.

Goal No. 3

- Continue to deliver the planned economies of scale benefits for all partners through continued growth and doubling in scale of LGSS over five years.

Goal No. 4

- For LGSS to be valued as an innovator and change agent for its partners to help improve and transform their frontline services to citizens.

Goal No. 5

- For LGSS to be nationally recognised as the most cost effective, highly rated and agile business services provider within the UK public sector.

Goal No. 6

- To be an attractive 'employer of choice' for recruiting and retaining the best people (by offering excellent career opportunities and developing their skills and talent).

LGSS IT Strategy – The Future

"It's all downhill from here isn't it?"

- Years stuck in a **vicious circle**.
- **Ever-Increasing demand** driven by societal changes, regulation and legislation and in IT, by rapid technology change.
- **Ever-reducing budgets** leading to less resources, less people, less money.
- IT Market for Local Government has **lost suppliers** and remaining suppliers are not **investing in LG solutions**.

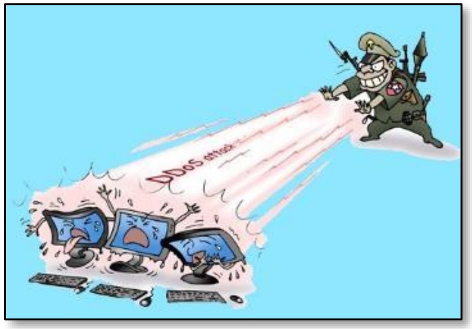
LGSS is about turning the corner

- Sharing services has **radically reduced** costs and increased capacity.
- Instead of stagnant or failing IT solutions we're **transforming** the ways that IT can be used and accessed.
- We've **dramatically reduced costs** whilst **improving services**, through tough supplier management and strategic deals.
- By adding new customers we've **grown significant capacity** and capability.
- By creating LGSS Digital we've can do **transformation in-house cheaper** and faster working directly with the business.

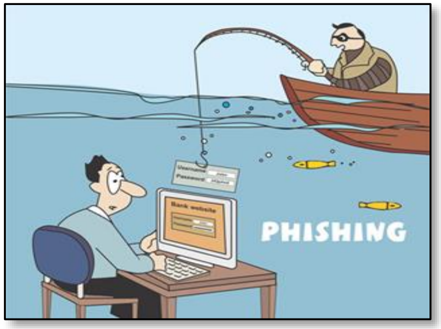
LGSS is about turning the corner

- Linking systems and automation using solutions which are **faster** (and **cheaper**) to deliver and no “rip ‘n replace”.
- We’ve created a **Digital toolkit** built of building blocks – different for each organisation.
- We’re building **uniquely from a user point** of view and **automating** this to actually deliver something – not fill a form in or open a case record.

Keeping customers IT secure against the ever-increasing threat of cyber-crime.



Denial of Service Attack



Phishing

Hacking

Innovation within LGSS

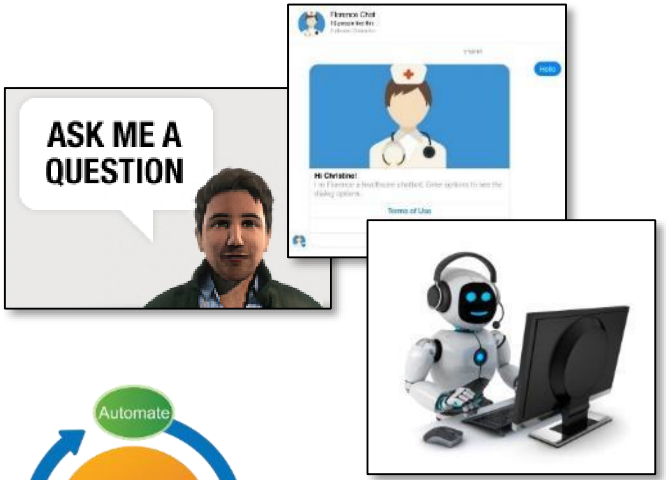
We will be working with suppliers and our in-house **LGSS Digital service** to develop a suite of applications, transform user journeys, and introduce full automation and integration to meet the IT needs of our new and existing customers.

Ultimately delivering better services, for less than can be found anywhere else.

We call this
Local Government Platform as a Service (lgPaaS)

Innovation within LGSS

- Artificial Intelligence (AI)
  - The use of AI-based Virtual Assistants in Customer Service and Health Care.
  - Virtual Contact Centres (VCC)



- AI in Business Process Automation (BPA)

What does this mean? – An Digital Toolkit Example

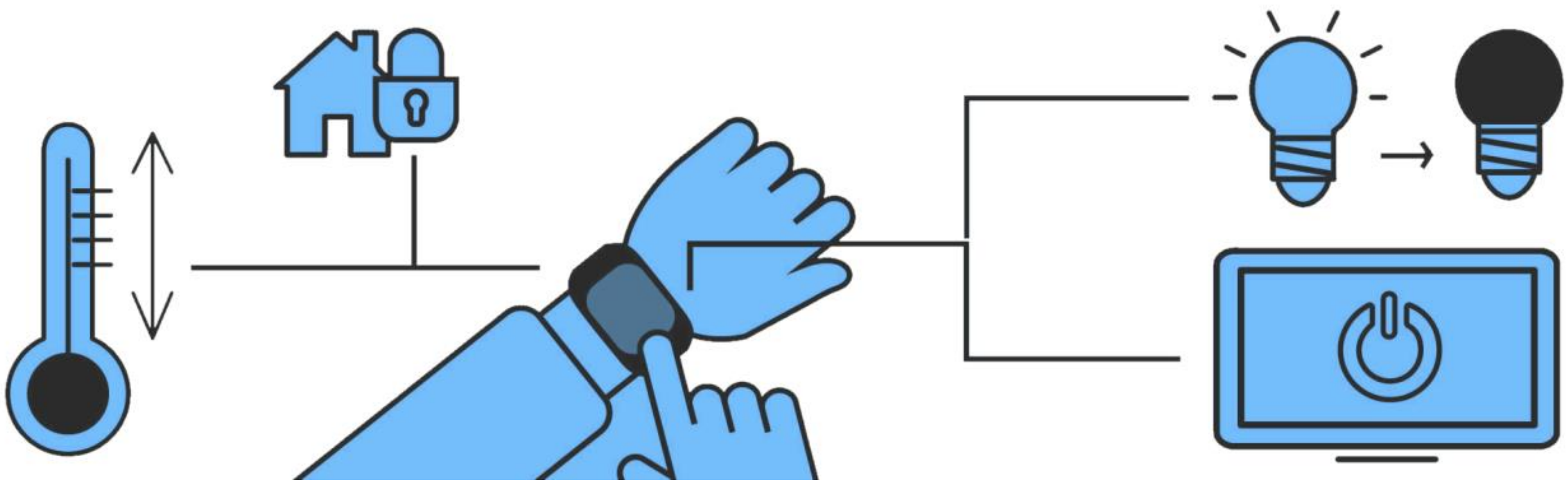
Reduce the time to complete an assessment or claim form and give an answer straight away.

If someone needing housing benefit either gets the money or if not entitled they are pointed to someone who can help.

- ☑ Less homelessness
- ☑ Less health problems
- ☑ Less A&E admissions
- ☑ Less Delayed transfer of Care
- ☑ Less Social Service demand.

What does this mean? – An IoT Example

If we can use Internet of Things (IoT) technology, we can monitor people in their homes and assist them in their everyday activities.



In Summary

- If you think about urgent demands on a council or the NHS then slow delivery can have a critical effect on people needing help.

- So our focus is getting help to entitled people in need as efficiently as possible, whilst using automated tools to ensure we verify identity and stop fraud.

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Director of IT

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Head of Strategy & Architecture

Copies of the slides are available on request.

Agenda Item No: 10

Agresso (Unit4 Business World) Implementation

To:	**LGSS Joint Overview & Scrutiny Working Group**		
Meeting Date:	**19 March 2018** **(LGSS Joint Committee 28 March 2018)**		
From:	**LGSS Director of Business Services, Systems and Change**		
Electoral division(s):	**All.**		
Forward Plan ref:	**NA**	*Key decision:*	**No**
Purpose:	**To update the LGSS Joint Overview & Scrutiny Working Group on the progress of the programme to implement the Agresso (Unit4 Business World) ERP system**		
Recommendation:	**That the Joint Overview & Scrutiny Working Group notes progress on the implementation of the Agresso (Unit4 Business World) ERP system**		

	Officer contact:
Name:	Mark Ashton
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Tel:	

1. BACKGROUND

1.1 The LGSS Joint Committee received an update in relation to this programme on 24th November 2017, highlighting an improving situation, with progress being made following the re-planning activity undertaken. The overall status of the programme had been reduced from red to amber.

1.2 Cambridgeshire and Northamptonshire county councils (CCC and NCC) signed off the business case for the replacement of their shared ERP (Enterprise Resource Planning – large scale business system integrating HR, Payroll and Finance) Oracle system in May 2015, followed by a procurement process and planned implementation for April 2017. During the second half of 2015 LGSS began working on a joint business case for an extended shared service with Milton Keynes Council (MKC). MKC were also in the process of considering their options to replace their old SAP system which was out of support from July 2017. It was jointly agreed between the three Councils that there are major business benefits from a common ERP systems implementation, so the project was expanded to include the ERP systems for all three councils which included an updated ERP business case delivering £9.86m of cumulative savings over 7 years (excluding the £4.2m of shared services saving benefits from the jointly agreed business case for all three councils resulting from MKC joining). In addition, the replacement of SAP afforded MKC additional savings within their retained budgets. At the time and despite the additional complexity of adding a third Council and a SAP system migration requirement, it was agreed to still re-plan and resource but to try to hold the original 'Go-Live' date of April 2017 (which was primarily driven to help mitigate the July 2017 MKC SAP out-of-support service constraints at that time).

1.3 Over the past two years a number of factors contributed to make the original April 2017 'Go- Live' date become progressively unrealistic. With MKC joining the ERP Gold programme and factoring in their SAP replacement requirements into the programme since October 2015, it is clear that the project was made more complex than originally envisaged and subsequently put additional pressures on LGSS Business Systems development resources. Implementing across three partners has been a greater challenge given the need to migrate three legacy data sets from two very different legacy ERP systems (i.e. SAP for MKC and Oracle for CCC and NCC). This was somewhat exacerbated by the lack of any inherited, in-house SAP expertise from MKC which necessitated LGSS to seek alternative external SAP support for MKC as a more cost effective interim arrangement for MKC. In addition, the ERP project has had to accommodate unforeseen major changes in Northamptonshire County Council's organisation for its newly formed federated vehicles, and this has added very significant new demands onto the existing LGSS ERP 'business as usual' resources. In CCC the already stretched LGSS IT resources had to be prioritised during late 2016 / early 2017 to stabilise core IT Infrastructure problems affecting all existing CCC systems and services during the October 2016 to April 2017 period.

1.4 There has also been some change to the scope of the project since its inception, which although limited did place an additional burden on delivery and cost for an already very aggressive original go-live of April 2017, which when all taken together with hindsight was perhaps too challenging to have held the original April 2017 go live date for so long.

1.5 On 24th November, the Joint Committee received a further update on progress with the programme, a revised cost forecast and the findings of an external review by Agilisys to provide assurance on the achievability of the revised delivery plan. Following that meeting, an update was provided by email to Joint Committee members on 14th December, which included a report from the new Senior Programme Manager. The report outlined the outcome of a major review of the revised programme plan. The plan, supporting the April 2018 delivery date, was endorsed by the Programme Manager and approved by the December meeting of the ERP Programme Board.

2 CURRENT PROGRAMME UPDATE

2.1 The latest programme highlight report reflects an improving situation from the previous update, showing progress being made with both data migration and test phase completion. The overall status of the programme has been moved from amber to green.

2.2 The 'Payroll Parallel Run' (PPR) testing of the system successfully completed its second phase tests during February and phase 3 commenced within the production environment (the system environment which will be used when live) on 7th March. This is a genuine parallel test of the March payrolls being run in SAP and Oracle for all organisations and successful completion will enable sign off of the new payroll system, allowing the April payrolls to run from the new system.

2.3 Despite previous challenging and unsuccessful data migration deliveries there is now confidence in the data migration approach and process which has been successfully proven for the December User Acceptance Testing (UAT) phases, Re-Test and Regression Test phases in January and February and in preparation of the Payroll Parallel Run in January, February and March. At the time of writing this report, the programme is on plan for completion of the migration of all data in to the live environment in preparation for both go live and for the third and final Payroll Parallel Run phase (PPR3) which commenced to plan on 7th March.

2.4 An upgrade of the ERP system (Milestone 6) has been successfully tested and installed in the production environment.

2.5 The fourth User Acceptance Test phase (UAT4) successfully completed its exit criteria which was formally agreed at the Programme Board in January. The Re-Test phase (testing the resolution of priority 1 and most critical priority 2 defects, as agreed by the Business Work Stream Leads at the UAT4 exit sign off) completed to plan in February. At the time of writing this report, the Regression Test phase had completed to plan but with 13 resolved defects requiring re-testing. The re-testing will be undertaken from 7th March within the system test environment with the expectation that formal exit criteria will be met from this phase.

2.6 A separate detailed plan to cover the move from the legacy systems to the new systems ('cut over') is in place and has commenced. Cut over effectively commenced in February with the migration of HR and payroll data into the live environment for the Payroll Parallel Run (PPR3) phase. Over the course of the next month, key milestones will be delivered enabling the Programme Board to approve the final 'Go-Live' decision following successful completion of PPR3 and formal testing success criteria. Although a phased approach is being taken for cut over, 'Go-Live' for most of our user community is expected from 3rd April 2018.

2.7 To support our users getting ready to use the new system, since January 2018, 31 articles have been published through 'ERP Gold Latest' which is accessible to all employees across the partner organisations and is regularly promoted through each organisation's corporate communications channels. There have been well over 5,000 views since the first week of January and almost 16,000 views since it was first published in March 2017. On a weekly basis, staff updates are provided to each organisation's communications teams for publication through their internal communications channels covering key messages from each business area – Accounts Payable, Accounts Receivable, Finance and HR – plus key deadline dates and important updates from the programme. Also included are weekly updates to the 300 ERP Gold Network members across all our partner organisations who will help to support their teams when ERP Gold is live.

2.8 34 demonstration sessions for ERP Gold Network members across CCC, MKC and NCC, reaching 223 attendees have been undertaken during January and February. There has also been targeted engagement of users who will use ERP Gold differently, led by business areas (Accounts Payable, Accounts Receivable, Finance and HR) plus targeted engagement of managers via HR Business Partners and targeted engagement of budget holders via Finance Business Partners.

2.9 There have been 'face to face' classroom training courses delivered to LGSS back office users by an external training provider. 61 courses were delivered to 432 delegates across Finance, AR, AP, HR Advisory, HR Transactions and Payroll teams between July and October 2017. Refresh training for those users is being undertaken by work stream in March ready for 'Go Live'. A blended range of online 'bite size' training resources, hosted on the LGSS iLearn system, are now accessible to all users. Resources include: reference guides supplied by the external training provider and finalised to match our system by work stream leads; eLearning modules; screencasts to show how the system works; and 'quick card' summaries of key processes. Suggested learning sessions have now been launched, based upon the principles that 'bite size' learning is timed at 3-15 minutes and users will only complete the relevant modules to their role. The iLearn system is available 24/7 and via any internet connection, so that it can be accessed at the convenience of the user.

3 COST FORECAST

3.1 The previously revised forecast cost of the programme was agreed by the three partner authorities and it is currently expected that the programme will deliver within that revised budget.

Agenda Item No: 11

LGSS Joint Overview & Scrutiny Working Group

19th March 2018

Subject:	**Current and future operation of the LGSS Joint Overview & Scrutiny Working Group**
Recommendation:	**That the LGSS Joint Overview & Scrutiny Working Group reviews its operation and identifies any actions intended to improve its future effectiveness.**

1. Purpose of Report

1.1 This report is intended to enable the LGSS Joint Overview & Scrutiny Working Group (JWG) to review its activity to date and to consider its future focus and operation to enable it to deliver the most effective outcomes.

2. Background

2.1 The JWG is not a statutory body but an arrangement that the three LGSS partner authorities have established to enable a joint approach to scrutiny of the development and effectiveness of LGSS.

2.2 A previous version of the JWG was operated by NCC and CCC from 2011/12 to 2013/14. This arrangement came to an end when CCC agreed to change from a Cabinet and Overview & Scrutiny model of governance to one based on decision-making committees from May 2014. MKC's decision to join LGSS as a partner authority at the start of 2016 then led to a meeting in April 2016 between Overview & Scrutiny (O&S) councillors from NCC and MKC to discuss the potential to re-establish a joint approach to scrutinising LGSS. This was agreed and CCC subsequently also accepted an opportunity to participate.

2.3 The new JWG resulting from this process first met on 17th October 2016. It has held 5 meetings in total in its current form:

- 17th October 2016
- 3rd April 2017
- 24th July 2017
- 27th November 2017
- 19th March 2018

2.4 The Terms of Reference (ToR) of the JWG are included with this report (at Appendix 1). The JWG's ToR state that the role of the JWG is:

- Accountability – Holding the LGSS Joint Committee (JC) to account for the discharge of its functions.
- Improvement – Investigating issues associated with LGSS and making recommendations that seek to improve the quality of services delivered through LGSS.

2.5 In practice, the work of the JWG has consisted of a combination of the following activities:

- Monitoring of existing LGSS performance, whether of LGSS as a whole or of specific functions
- Forward-looking scrutiny of the strategic development of LGSS, for example of the strategic plan and annual budget
- More focussed scrutiny of particular matters connected with the above areas.

2.6 The following topics have been scrutinised by the JWG:

- LGSS in-year budget position
- Customer and business development
- Evolution of the LGSS Strategic Plan 2017/18 to 2021/22
- Operation and outcomes of the LGSS Customer Satisfaction Survey & Performance Framework
- Production of the LGSS statement of accounts, including matters relating to an objection to the 2014/15 accounts
- IT Strategy
- LGSS Annual Report 2016/17 and Statement of Accounts
- Development of the LGSS 2018/19 draft budget
- LGSS senior officers' remuneration

2.7 As a result of this work the JWG has presented reports to the JC making the following recommendations (which the JC chose to note in each case):

June 2017

- That the JC includes the following matters when considering the further development of the LGSS Customer Satisfaction Framework:
  - (a) The use of relevant committees as a means of obtaining feedback from councillors' perspective; and
  - (b) The potential to improve communication to all councillors at the partner authorities about the operation of LGSS.
- That the JC gives full support to the review of the operation of LGSS with regard to its accounts.
- That the JC gives particular attention to the level of information expected by councillors to enable them to hold to account LGSS effectively.

September 2017

- That the JC notes the JWG's concern at the impact on LGSS of policy decisions by partner authorities that result in the elimination of existing LGSS income streams at short notice.

- That the JC considers how LGSS's employment model and financial processes can be optimised to support potential future growth of LGSS and its business.

3. Future role and operation of the JWG

3.1 It is good practice for O&S to keep its own effectiveness under review, to reflect changing demands and to ensure that its capacity is used as productively as possible. The JWG has agreed to do this at the current meeting, which is a logical time as it is the final meeting in 2017/18 and comes after the current JWG has been operating for almost 18 months.

3.2 The remainder of this report highlights areas for consideration concerning the role and operation of the JWG as a starting point for discussion at the meeting and to assist the JWG to reach conclusions about its future approach.

4. Purpose of the JWG

4.1 It might be argued on principle that some scrutiny of a topic is always better than no scrutiny. At the same time, any O&S activity in a particular area represents a choice to deploy finite resources (principally the time and expertise of O&S councillors) for one purpose rather than for others that might also exist. There is therefore an onus on O&S to deploy its resources in areas where they are most required or can achieve the most worthwhile outcomes.

4.2 The JWG may wish to consider how this should apply to scrutiny of LGSS. It is relevant to this question also to highlight the governance context in which the JWG operates. The JC oversees the operation and development of LGSS. It has a cross-party membership and, in practice, carries out some scrutiny-like functions when considering proposed strategic plans and budgets and reviewing LGSS's performance against agreed objectives. Partner authorities' own O&S functions (or equivalent for CCC) are also able to scrutinise the effectiveness of the services delivered to their respective authorities by LGSS.

4.3 It is important that the existence of the JWG complements the functions of the other bodies involved in the governance of LGSS as far as possible. Scrutiny of LGSS should serve a purpose that would otherwise be lacking.

5. Focus of scrutiny

5.1 Assuming it is accepted that joint strategic-level scrutiny of LGSS continues to be merited then the JWG may wish to consider how this should be focused in future.

5.2 Paragraph 2.4 above refers to the two main elements of the JWG's current ToR: accountability and improvement. The JWG's work to date has covered both of these elements in so far as it has included scrutiny of both the delivery of LGSS's agreed objectives and budget and of its potential future development. This has resulted in the JWG making recommendations intended to help to address current matters or future risks. The JWG has also successfully established the principle that O&S should be a part of the governance of LGSS: reflected, for example, in the recognition that there should be an opportunity for pre-decision scrutiny of the LGSS draft budget and Strategic Plan before they are presented to the JC for adoption.

5.3 Having said this, it is characteristic of the JWG's work to date that it has involved dialogue with the LGSS Managing Director and senior officers rather than direct engagement with the JC. This situation is not particularly noteworthy in itself: O&S typically engages with senior leaders responsible for delivering services as well as executive decision-makers. Neither is it being highlighted here as an argument that the JWG should seek to meet with JC representatives to hold to account the JC without a clear idea of what the JWG would be seeking to achieve by doing this. However, the JWG may wish to consider at this point in its lifespan whether direct engagement with the JC might form a greater part of its work. This would take into account, for example, that the parameters within which LGSS operates are set by decisions on its priorities and use of resources taken by the JC.

5.4 The JWG's work to date has also largely consisted of ongoing performance monitoring and one-off scrutiny sessions on particular topics, rather than more in-depth investigative scrutiny work. This approach has served a useful purpose and probably also reflects the particular situation of the JWG: the fact that it is a joint body involving members from three different authorities each of whom are participating in the JWG in addition to carrying out their roles at their respective authorities. However, the JWG is not obligated to continue to operate in the same way in future if members consider that there is a different approach that could be taken that would achieve better results with the same resources.

6. Practical operation of the JWG

6.1 The way in which the JWG operates should support its intended purpose and the results that its work is intended to achieve. JWG members' views on these matters are therefore likely to inform consideration of the more practical details of the operation of the JWG. However, it is still worth highlighting some aspects of this that may form part of the discussion at the current meeting, as follows:

- JWG meetings programme – The JWG meets according to a programme set for a year at a time, although with the scope to hold additional meetings if required. Experience has shown that a meetings programme is necessary as it is not practical to try to organise meetings involving councillors from three different authorities and LGSS senior managers on an ad hoc basis. JWG meetings have been scheduled to take account of key points in the LGSS business planning cycle as well as JC meeting dates.
- Joint arrangements – The JWG currently rotates its meetings between venues in each partner authority area (usually the civic headquarters) and appoints a co-chair from each partner authority. This reflects the joint nature of the JWG but may, in the case of the co-chairs, result in a more complex arrangement than would normally be the case.
- JWG meetings in public – The JWG has agreed that its meetings will normally take place in public and its agenda papers will be published on partner authorities' websites. This represents the standard approach for O&S working groups at MKC, whereas O&S working groups at NCC normally meet in private. It is open to the JWG to consider how this approach is working if it

wishes to do so. Alternatively, the JWG may wish to consider this or any other similar examples that members identify of the way that the JWG has dealt with different ways of working at each of the partner authorities.

- Reports and information for the JWG – Some agenda items for JWG meetings are supported by reports produced for the JC: for example, the LGSS Budget Monitoring Report. This approach represents an effective use of resources, compared to producing very similar reports for different bodies, provided that it gives the JWG the information that it requires to carry out its role. The JWG emphasised at its last meeting that information supporting agenda items should normally be circulated in advance so that time at meetings could be focussed on scrutiny. On a similar note, it is open to the JWG to consider whether information provided to it outside of meetings, for example, through written briefings or briefing sessions, meets its needs effectively.

7. Conclusion

7.1 As with the majority of O&S work the JWG relies on ‘soft power’ – constructive challenge, evidence-based argument – to achieve its purpose. Reviewing the JWG’s current and future operation can be summarised as a matter of members (re-) confirming the purpose that the JWG is intended to serve and then how this can best be delivered in practice.

8. List of appendices

Appendix 1: **LGSS Joint Overview & Scrutiny Working Group Terms of Reference**

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LGSS Joint Overview & Scrutiny Working Group – Terms of Reference

Role

The role of the Joint Working Group (JWG) will be as follows:

- Accountability – Holding the LGSS Joint Committee to account for the discharge of its functions.
- Improvement – Investigating issues associated with LGSS and making recommendations that seek to improve the quality of services delivered through LGSS.

Membership

The membership of the JWG will consist of 3 councillors from each participating authority (: Milton Keynes Council, Northamptonshire County Council, and Cambridgeshire County Council). Substitute members from each authority may be appointed to attend in their absence.

Chair

The chair of the JWG will be held jointly by a member from each participating authority. These 3 members will be elected annually by the JWG. Meetings of the JWG will normally be chaired by the co-chair from the participating authority that is hosting the meeting in question.

Parent Committees

The committees at the participating authorities with responsibility for scrutinising or overseeing corporate support functions will act as the parent committees for the JWG. Currently these are:

Milton Keynes Council:	Scrutiny Management Committee
Northamptonshire CC:	Finance & Resources Scrutiny Committee
Cambridgeshire CC:	General Purposes Committee

The parent committee role will include the following functions:

- Agreeing the establishment of the JWG and nominating members from the respective authority to serve on the JWG.
- Overseeing the work programme of the JWG and incorporating the requirements of delivering this within its respective work programme.
- Receiving draft reports and recommendations from the JWG for agreement prior to submission to relevant decision-making bodies.
- Maintaining an overview of the operation of the JWG and proposing changes to the JWG's terms of reference as necessary.

The parent committees should carry out this role on the basis of co-operation and communication and generally seek to avoid acting in what could reasonably be seen as a unilateral way.

The parent (or other appropriate) committees will retain the role of considering LGSS decisions that are called-in at their respective authority, and will have the option, in exceptional circumstances, to consider any other item of business relating to LGSS that they would prefer to consider as an individual committee rather than through the JWG.

Method of Operation

The JWG should adopt a task-and-finish, outcome-focussed approach to carrying out its role.

The JWG should draw up a rolling work programme setting out proposed work to be carried out during the following year to deliver its role. This work programme will be overseen and monitored by the parent committees as set out above.

JWG members will be required to keep the parent committee of their respective participating authority informed of the JWG's work as requested.

Quorum

The quorum for JWG meetings will be 3 members, made up of one member from each of the participating authorities.

JWG Meetings

The JWG will normally meet every 4 months, on appropriate dates and times selected to support the delivery of the work programme agreed by the JWG. Additional JWG meetings may be convened if agreed by all of the JWG co-chairs.

The venue for JWG meetings will be determined by the JWG and will take account of business to be conducted. However, as a general principle, JWG meetings will normally rotate in sequence between the participating authorities.

The JWG will normally meet in public, with the provision to exclude the public for items of business where it would be likely that exempt information (information regarded as private for the purposes of the Local Government Act 1972) would be disclosed to them.

Officer Support

Parent committees will work together to ensure that equitable officer support arrangements are in place to support the JWG in the delivery of its work programme.

Exit Arrangements

The JWG will continue to operate for as long as the parent committees consider that there is value in the arrangement. The parent committees may withdraw their participation from the JWG at any time should they resolve to do so.