

LGSS JOINT COMMITTEE

Date: Thursday, 17 November 2016

Democratic and Members' Services

Quentin Baker

LGSS Director: Law and Governance

Shire Hall

Castle Hill

Cambridge

CB3 0AP

14:00hr

AGENDA

Open to Public and Press

1 Apologies for absence and declarations of interest

Guidance on declaring interests is available at

<http://tinyurl.com/ccc-dec-of-interests>

2 Minutes - 18th August 2016

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

3 LGSS 2016/17 Budget Monitoring Report

5 - 22

4 LGSS Statement Of Accounts Update

23 - 26

5 ERP Gold Update

Presentation

6 Exclusion of Press and Public

To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraphs 1 & 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)

7 Revenues and Benefits Outline Business Case

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

8 Norwich PDA Review

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

9 Initial Engagement Update

Presentation

10 LGSS Joint Committee Agenda Plan

27 - 30

11 Date of Next Meeting

The next formal meeting of the LGSS Joint Committee is scheduled to take place on Thursday 23rd February 2017. This date clashes with a meeting of Full Council at Northamptonshire County Council. It is therefore proposed to move the meeting to either 8th or 15th March 2017 depending on the preference of Members.

The LGSS Joint Committee comprises the following members:

Councillor Ric Brackenbury Councillor Robin Brown Councillor Keith McLean Councillor Robert Middleton Councillor Bill Parker and Councillor Bob Scott Councillor Roger Hickford Councillor Noel Kavanagh and Councillor Ian Manning

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

Clerk Name: Daniel Snowdon

Clerk Telephone: 01223 699177

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The County Council is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens. These arrangements operate in accordance with a protocol agreed by the Chairman of the Council and political Group Leaders which can be accessed via the following link or made available on request: <http://tinyurl.com/ccf-film-record>.

Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution <http://tinyurl.com/cambs-constitution>.

The Council does not guarantee the provision of car parking on the Shire Hall site and you will need to use nearby public car parks <http://tinyurl.com/ccf-car-park> or public transport

LGSS Joint Committee

17 November 2016

Subject: LGSS 2016-17 Budget Monitoring

Actions:

- 1. Note the financial monitoring position as at 30 September 2016.**
- 2. Note the summary position on carry forward balances.**

Section 1 - Overview

- 1 This report is the combined LGSS financial monitoring report, with LGSS now a three-way partnership
- 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 Appendices 1(a) and 1(b) 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 2016-17.
- 4 At the end of the year the LGSS Operational outturn variance will be split between partner authorities on the basis of net budget, as per the partnering agreement. The forecast allocations based on the year to date monitoring are shown at paragraph 2 of Section 2.
- 5 A Budget Savings Tracker has been set up to enable service managers to give a monthly update on the delivery of 2016-17 savings and benefits. A summary of this information is given at paragraph 3 of Section 2, with the full document attached at Appendix 2. This is monitored and reviewed on a monthly basis with LGSS Directors, the Finance Director and the Managing Director.
- 6 At the end of 2015-16, LGSS held carry forward balances relating to services now within the new partnering agreement. A detailed analysis of these balances is provided at Appendix 3, with the intention being that they will be ring-fenced specifically for LGSS liabilities and business needs identified prior to 1 April. For example, the smoothing reserve, which has been accumulated as part of a deliberate planning strategy to manage future trading risk, will be only be applied to LGSS contract arrangements existing prior to April 2016.
- 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.

Section 2 - LGSS Operational Budget Monitoring – September 2016

	Previous Forecast Variance	Gross Exp Budget	External Income Budget	Internal Income Budget	Full Year Budget	Pressures	Full Year Forecast Variance
	£000	£000	£000	£000	£000	£000	£000
Finance	90	13,050	-6,787	-694	5,569	90	90
People Transformation & Transactions	100	21,591	-2,586	-1,800	17,205	668	24
LGSS (MKC) Directorate	-163	18,204	-4,535	-711	12,958	53	-145
Information Technology	314	19,567	-1,472	-2,779	15,316	419	111
Legal and Governance	-24	1,556	-649	2	909	19	-30
Strategic Management & Service Assurance	0	696	-10	-16	670	100	100
Total LGSS Services	317	74,664	-16,039	-5,998	52,627	1,349	150

Trading Contracts	250	2,952	-24,349	-248	-21,645	250	250
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Total LGSS Operational	567	77,616	-40,388	-6,246	30,982	1,599	400
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1. The overall forecast outturn variance of £400k is split between a variance of £150k on LGSS Services and £250k on trading contracts. The former recognises pressures that have been identified in-year, but which will be addressed by mitigating actions with the intention of delivering a nil variance at year end. The latter will be offset through the Smoothing Reserve, which has been purposely built up in previous financial years to address potential trading risk. Further detail and commentary on the joint LGSS Operational outturn position is provided at Appendices 1(a), 1(b) and 1(c).
2. Based on the current outturn forecast the likely split of the variance between partner authorities would be as per the Table below. This is based on relative net budgets and has been adjusted for those forecast variances deemed to be a direct result of inherent risk within a budget.

	MKC	NCC	CCC	Smoothing Reserve	Total
	£000	£000	£000	£000	£0000
Trading Contracts				250	250
Service Assurance		50	50		100
Finance	0	45	45		90
People, Transformation and Transactions	101	-39	-38		24
Information Technology	51	30	30		111
Legal and Governance	-14	-8	-8		-30
LGSS (MKC) Directorate	-53	-46	-46		-145
Total LGSS Operational	85	32	33	250	400

3. A summary of the current RAG rating of budget proposals is shown below, (with further detail at Appendix 2):

RAG Rating	Number of Proposals	Value £000
Red	1	40
Amber	15	1,486
Green	24	2,428
Total	40	3,954

Appendix 1 (a)

2016-17 Monitoring Detail – LGSS Operational Budgets

Finance Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Sept £000	Pressures £000	Full Year Forecast Variance £000
Finance Directorate:								
Finance (excl MKC)	90	7,381	-763	-694	5,924	3,305	90	90
Land Charges (NBC)	0	154	-210	0	-56	-29	0	0
Pensions Operations	0	5,515	-5,814	0	-299	1,714	0	0
Total Finance Directorate	90	13,050	-6,787	-694	5,569	4,990	90	90

The Directorate is forecasting a £90k overspend.

There is an historically large vacancy factor against the Finance service which will not be achieved this year due to limited turnover.

People, Transformation and Transactions Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Sept £000	Pressures £000	Full Year Forecast Variance £000
P,T&T Directorate:								
PTT Central Management	0	796	0	0	796	353	0	0
Policy & Strategy	0	1,665	-105	-100	1,460	541	0	-25
HR Business Partners	0	3,766	-714	-96	2,956	1,587	458	-51
Learning & Development	0	3,391	-646	-542	2,203	742	0	0
Business Transformation	0	1,086	0	-309	777	419	0	0
Transactional Services	0	7,133	-1,098	-581	5,454	3,699	110	0
LGSS Programme Team	100	3,754	-23	-172	3,559	3,015	100	100
Total P,T&T Directorate	100	21,591	-2,586	-1,800	17,205	10,356	668	24

The Directorate is forecasting a £24k overspend.

There is a forecast underspend of £25k in Policy & Strategy. This is due to over achievement of Health & Safety income.

There is a forecast underspend of £51k in HR Business Partners. There are staff vacancies of £267k, but this is being partly offset by mitigation of the NBC surplus, (£33k), and by the unachievable traded income target, (£183k), that has not been offset by reserves.

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

There is a potential pressure within HR Business Partners of £23k due to the unfunded additional cost of an inherited interim HR manager for MKC and mitigations are being pursued.

There are further pressures within the HR and Transactions services of £329k. The reported position for both services assumes the use of £329k one-off funding and reserves to address a budget shortfall which will be realigned for future years as part of the next budget-setting process.

LGSS (MKC) Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Sept £000	Pressures £000	Full Year Forecast Variance £000
LGSS (MKC) Directorate:								
Revenues & Benefits (NBC)	0	5,980	-737	-15	5,228	3,204	0	0
Audit & Risk	0	2,372	-508	-122	1,742	818	0	0
Procurement	-194	2,278	-205	-574	1,499	747	0	-150
Democratic Services (MKC)	-22	494	0	0	494	266	0	-22
Professional Finance (MKC)	0	2,352	-163	0	2,189	483	0	-26
Revenues & Benefits (MKC)	53	4,728	-2,922	0	1,806	123	53	53
Total LGSS(MKC) Directorate	-163	18,204	-4,535	-711	12,958	5,641	53	-145

The Directorate is forecasting an underspend of £145k.

There is a forecast underspend of £150k in Procurement. This is due to improved income, staff vacancies and deferred recruitment.

There is a forecast underspend of £22k in Democratic Services due to a post being held vacant.

There is a forecast underspend of £26k in Professional Finance due to increased recovery from Milton Keynes Development partnership for the Commercial Accountant.

The Directorate is forecasting a £53k overspend in Revenue and Benefits due to a reduction in New Burdens funding following DCLG change to funding for council tax admin reduction scheme.

Information Technology Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Budget to Sept £000	Actual to Sept £000	Pressures £000	Full Year Forecast Variance £000
IT Directorate:									
Northamptonshire County Council	25	4,398	-39	-1,142	3,216	1,733	1,692	175	25
Cambridgeshire County Council	208	2,109	0	-771	1,338	697	922	283	25
Norwich	30	3,505	-500	0	3,005	1,490	1,913	10	10
NHFT	0	3,315	-253	0	3,062	1,531	2,263		0
MKC IT	51	3,700	-664	0	3,036	0	1,366	51	51
Strategy & Architecture	0	1,418	-16	-489	913	457	601	0	0
Service Delivery	0	1,122	0	-377	746	491	716	0	0
Total IT Directorate	314	19,567	-1,472	-2,779	15,316	6,399	9,473	419	111

The Directorate is forecasting a £111k overspend.

There is a £50k forecast overspend within NCC/CCC operations which is due to the additional recruitment of digital analysts and developer posts over and above the establishment in agreement with NCC and CCC. These posts are in part covered by recharges but there is currently a residual forecast pressure for which mitigation is being sought via other funding sources .

There is a £10k pressure due to a decision to recruit to a Head of IT in Norwich in order to expand the LGSS offering in this geographical area.

There is a forecast overspend on MKC IT due to under recovery of non-schools traded income of £51k.

There are also pre-existing budget pressures of approximately £100k which have been mitigated by additional recharging to, for example, capital projects.

A £208k saving, shown as a pressure in this service, was originally planned to be delivered from additional IT budgets being transferred from the CCC retained organisation into LGSS. However, this will not be achieved this year due to the timescales for the Corporate Capacity Review now being later than anticipated. This saving will therefore now be mitigated by reallocating on a pro-rata basis across all LGSS services. This will include Property and Strategic Assets as these services were part of LGSS when LGSS received its overall savings targets for 2016-17 from NCC and CCC.

Legal 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 Sept £000	Pressures £000	Full Year Forecast Variance £000
Legal and Governance Directorate:								
Democratic Support Services (excl MKC)	-43	931	-127	2	806	399	0	-49
CCC Corporate Legal Budget	0	102	0	0	102	100	0	0
LGSS Law Dividend Target	19	0	-522	0	-522	0	19	19
NBC Legal Budget	0	523	0	0	523	530	0	0
Total Legal and Governance Directorate	-24	1,556	-649	2	909	1,029	19	-30

The Directorate is forecasting a £30k underspend.

Within DSS, additional income from external partners will be received and there are vacancies which are also contributing to the £49k forecast underspend

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 1(c) provides more detail of the financial forecast for LGSS Law Ltd.

Strategic Management & Service Assurance

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Sept £000	Pressures £000	Full Year Forecast Variance £000
Strategic Management & Service Assurance:								
Strategic Management	0	169	-10	0	159	80	0	0
Contracts Review	0	-235	0	0	-235	0	100	100
Service Assurance & Customer Engagement	0	525	0	0	525	268	0	0
Leadership Support & Governance	0	139	0	-16	123	29	0	0
Communications & Marketing	0	98	0	0	98	52	0	0
Total Strategic Management & Service Assurance	0	696	-10	-16	670	429	100	100

Strategic Management & Service Assurance are forecasting an overspend of £100k.

£135k of the £235k contract savings budget shown here has now been allocated, and will be shown in other services next month. There is a residual £100k shortfall this year, due to delays in the implementation of the Altair payroll system for Pensions.

Appendices 1(b) and 1(c)

Please note that these Appendices are not for publication by virtue of paragraph 3 of part 1 of 12a of the Local Government Act 1972 and have been circulated separately.

Appendix 2 - Detailed LGSS Budget Savings Tracker

See separate attachment

Appendix 3

Summary Position on LGSS Carry Forwards (pre MKC)

Directorate	Service Area	Title	Total Carry Forward	2016-17 Forecast Drawn Down	Re-assigned	Needed 2017-18
			£000	£000	£000	£000
PT & T	Learning & Development	Equipping employees to use Next Generation / Smarter Business mobile technology	319	0	-319	0
PT & T	Learning & Development	Infrastructure investment for the development of the Learning Pool – the online training system for all LGSS customers.	95	95	0	0
PT & T	Programme Management Office	Shared Service Solution	280	280	0	0
PT & T	Revenue & Benefits	Systems Development	55	0	-55	0
PT & T	Revenue & Benefits	LGSS R&B OBC / new systems development	100	55	225	270
Finance	Strategic Assets	Asset Management Database	58	58	0	0
IT	IT	Contribution to the cost of likely technical refresh/investment costs in relation to the shared IT data centre infrastructure	156	156	0	0
SACS	Service Assurance & Customer Engagement	To aid in transitioning to the new structure.	34	34	0	0
Cross-Cutting		Smoothing of planned trading income	753	250	149	652
Cross-Cutting		Redundancy Reserve	175	175	0	0
Total			2,025	1,103	0	922

Note:

A provision of £284k was created in 2013-14 for benefits share negotiations. £209k was drawn down from this provision in 2014-15, but there were no draw downs in 2015-16, leaving a current balance of £75k.

Appendix 4

2016-17 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 Sept £000	Full Year Forecast Variance £000
Northamptonshire County Council:							
External Audit	0	244	0	0	244	6	0
Policy and Strategy	0	387	0	-17	370	185	0
Information Technology	98	3,971	0	-46	3,925	4,016	79
Democratic Services	0	1,395	0	0	1,395	672	0
Procurement	0	-200	0	0	-200	-241	0
Total	98	5,797	0	-63	5,734	4,638	79
Northampton Borough Council:							
External Audit	0	220	0	0	220	40	0
Policy and Strategy	0	129	0	0	129	55	0
Information Technology	0	1,271	0	0	1,271	673	0
Insurance	0	794	0	26	821	903	0
Total	0	2,414	0	26	2,441	1,671	0
Cambridgeshire County Council:							
Insurance	0	1,894	0	0	1,894	0	0
External Audit	0	141	0	0	141	113	0
Members Allowances	0	1,020	0	0	1,020	496	0
Finance	-322	1,273	-319	0	954	1,249	-322
Information Technology	139	4,063	-159	-2,041	1,863	1,544	139
Total	-183	8,391	-478	-2,041	5,872	3,401	-183
Milton Keynes Council:							
Human Resources	26	157	-17	0	140	81	25
Information Technology	26	1,024	0	0	1,024	453	25
Total	52	1,181	-17	0	1,164	534	50

Northamptonshire County Council

There is a £79k forecast overspend within IT managed due to the overlap of line lease contracts.

Northampton Borough Council

There are no forecast variances on the budgets managed on behalf of NBC.

Cambridgeshire County Council

There is a forecast underspend of £183k on the budgets managed by LGSS on behalf of Cambridgeshire.

There is a forecast underspend within Finance due to a £322k Capita/Mouchel latent defect correction reserve being no longer required.

There is a forecast overspend of £139k on IT. There is a pressure of £165k that relates to WAN upgrades and the revenue cost of tablets in 2016-17 which is being partly offset by reduced spend across the service. The WAN cost will be covered by CCC and the overspend in relation to the tablets is due to there being no budget provision.

Milton Keynes Council

There is a forecast overspend of £50k on the budgets managed by LGSS on behalf of Milton Keynes Council.

The £25k forecast overspend for HR relates to a stretch income target which is to be addressed in the 2017-18 budget build. There is also a £25k forecast overspend on IT due to the Print Room moving to new premises.

Appendix 2 - 2016-17 BUDGET SAVINGS DELIVERY TRACKER

Proposal Description	Service	Responsible Officer	NCC/CCC 2016-17 Budget Saving	MKC 2016-17 Budget Saving	MKC PDA 2016-17 Budget Saving	Total 2016-17 Budget Savings	Saved via other Mitigating action taken	Proposed Completion date	NCC Delivery	CCC Delivery	MKC Delivery	Joint PDA Delivery	Delivery / implementation RAG	Notes/Comments	Delivery Plan
									Where savings are actually delivered.						
Baseline Savings			£K	£K	£K	£K									
Contracts Review	Strategic Management		-145			-145							Amber	Original budget proposal was £205k, but £60k relates to Property and Strategic Assets	The £100k relating to the implementation of the Altair payroll system will not now be achieved until 2017-18.
	TOTAL		-145	0	0	-145									
Service Reviews	Finance	Matt Bowmer	-100			-100			-50				Green	Finance - Reduction of Group Accountant resource PDA - £40k Creation of Cross- Functional Teams. £10k remodelling service support team	MKC NCC Resources have been reviewed and realigned in order to reduce by 0.8 FTE of a Group Accountant post, which has been done from the 1 April 2016.
Service Reviews	Finance	Matt Bowmer	-210			-210	-40		-65				Green	Finance – savings from the implementation of the finance team restructure undertaken in 2015-16 following the Service Review and closer alignment to the LGSS organisational design principles. In addition, efficiencies are planned from the non pay budgets within the team for 2016-17.	NCC Revised structure implemented and in place from December 2015; Budget realignment work is to be concluded imminently; Other general efficiencies from subscription and general expense budgets and fees for administering school loans factored in to the budget build to deliver the saving.
Service Reviews	Audit	Neil Hunter	-100			-100							Green	IARM - Reduction of 225 Audit Days per founding partner will equate to around £50K each. This will be managed by constantly refocusing the Audit Plan but will still result in reduced assurance. It is intended to keep the A&RM at NCC and one Counter Fraud Trainee vacant to ensure the necessary reduction in staffing budget, (at current activity), can be met.	This saving was fully achieved by 31/3/16 and the revised budget (after deducting the £100K) was the 2016/17 OE. However, the structure post 1/4/16 is being revised and this will impact upon the actuals in 16/17, which will be reported via budget monitoring in the usual way.
Service Reviews	Pensions	Mark Whitby	-63			-63							Green	Pensions – further growth of income streams relating to non-statutory activity including provision of accounting disclosures and admission/cessation activity. Crystallisation of administration efficiencies, including those in connection with the migration to online annual benefit statements. Forecast to deliver on target	
Employee cost reduction	CFA, Corp and ETE Finance	Martin Wade	-24			-24							Green		Pay grades, less travel.
Employee cost reduction	Audit & Risk Management	Neil Hunter	-3			-3							Green		This will be delivered in 2016-17.
	TOTAL		-500	0	0	-500									
Service Reviews	IT	Ian Farrar	-180	-330		-510			-90	-90	-330		Amber	£180k from operational savings between NCC/CCC This is split as £60K NCC Ops, £60K CCC Ops, £30K additional income from NoCC, and £30K split across NCC services on a Net Budget pro rate CCC SAN Maintenance (insource to server team) MKC The reduced costs associated with SAP support as the system ages £150k, Restructure of ICT support £89k, Review of contracts/licences/software requirements, ceasing, reducing or retendering and increased income on traded £30k	
Service Reviews	IT	Ian Farrar	-183			-183				-183			Amber	Original proposal was for £208k savings from consolidation of retained ICT in CCC with LGSS IT budgets. This is being picked up as part of the Corporate Capacity Review within CCC, but will not now happen in 2016-17.	Saving will be delivered in 2016-17 through reallocation on a pro rata basis across all LGSS services as at 1 April 2016.
Employee cost reduction	IT		-28			-28							Amber		
	TOTAL		-391	-330	0	-721									
Service Reviews	Democratic Services	Paul Hanson, Michelle Rowe	-95			-95							Green	NCC DS - Offer up contingency for Police Commissioner Support. NCC DS – Review of external costs & additional £5k income	
Service Reviews	Procurement / Insurance	Paul White	-105			-105							Amber	Procurement/Insurance - Withdraw funding from sourcecambridgshire and sourcenorthamptonshire and advertise contracts via national contracts finder site.	
Employee cost reduction	Democratic & Scrutiny Services	Michelle Rowe	-3			-3							Amber		
Employee cost reduction	Procurement / Insurance	Paul White	-4			-4							Amber		

Appendix 2 - 2016-17 BUDGET SAVINGS DELIVERY TRACKER

Proposal Description	Service	Responsible Officer	NCC/CCC 2016-17 Budget Saving	MKC 2016-17 Budget Saving	MKC PDA 2016-17 Budget Saving	Total 2016-17 Budget Savings	Saved via other Mitigating action taken	Proposed Completion date	NCC Delivery	CCC Delivery	MKC Delivery	Joint PDA Delivery	Delivery / implementation RAG	Notes/Comments	Delivery Plan
			-207	0	0	-207									
Service Reviews	Democratic Services	Paul Hanson	-25			-25							Amber	CCC DS – Deleting Support to Leader Post – Agreed with Leader.	
			-25	0	0	-25									
Service Reviews	OWD	Martin Cox	-100			-100							Green	OWD Further rationalisation of training provision	
Service Reviews	OWD	Martin Cox	-60			-60							Green	OWD Further rationalisation of training provision	
Service Reviews	LGSS Programme Team	Peter Borley-Cox	-40			-40							Red	LGSS Business Systems team to take over responsibility for ERP user re-sets to avoid annual IT recharge. - ICT have contested the service taking over this function, meaning the savings will be unacheivable.	This has been escalated to director level for resolution
Service Reviews	LGSS Programme Team	Peter Borley-Cox	-140			-140		30/06/2016	-140				Green	Use of capital to fund ERP posts in LGSS Business Systems. This is a one-off reduction for 2016-17, which will be replaced by a base reduction of £200k in 2017-18 from the NCC BTT team.	
Service Reviews	Transactional Services	Chris Law	-50			-50							Green	Further exploitation of E Forms/K2 and Chorus.	
Service Reviews	Transactional Services	Chris Law	-100			-100							Green	Implementation of Agresso Gold Client / Icon : Achieved through restructure in 15-16	
Service Reviews	Business Transformation Team	Frank Whiteley	-249			-249		31.03.2017	-249				Green	Reduction in Project Manager/Business Analysts and greater capitalisation of project costs.	
Service Reviews	Revenues & Benefits					0									
Employee cost reduction	HR Professional	Martin Cox	-14	-351		-365							Green	MKC - Revisions to HR structure to create better alignment to service provision £243k, alignment of the corporate training budget within the current cost provision, additional income target on traded £88k.	
Employee cost reduction	LGSS Programme Team	Peter Borley-Cox	-11			-11		30/06/2016	-11				Green		
Employee cost reduction	OWD	Martin Cox	-3			-3							Green		
Employee cost reduction	Transactional Services	Chris Law	-16			-16							Green		
	TOTAL		-783	-351	0	-1,134									
Service Reviews	SACS	Claire Townrow	-28			-28			-28				Green	Reduction in the frequency of Performance Reporting of LGSS Services to NCC and CCC: Every six months instead of quarterly monitoring and reporting of: - performance report including KPIs - LGSS service improvement plan - LGSS service provision update Delete 1 x fte Customer Contracts Administrator post Impact on the appropriate management of performance and associated issues Decrease in robust customer relationship management Diminished central visibility to address issues Remedial timely actions with performance will be diluted	
Employee cost reduction	SACS	Claire Townrow	-1			-1			-1				Amber		
	TOTAL		-29	0	0	-29									
Service Reviews	Democratic Services	Simon Heap		-66		-66							Green	Adjustment of members' allowances budget to reflect lower level of claims £22k - (not in LGSS Scope.) Staff saving arising from reduced support reflecting streamlined scrutiny arrangements £38k, and £6k in Elections (again not in LGSS Scope)	
Service Reviews	Finance	Nicole Jones		-264		-264							Green	Reduction in posts and redesign of services in finance to reduce the cost of service delivery £214k and alignment of budgets based on 2014-15 expenditure	
Service Reviews	Procurement / Insurance	Nicole Jones/Paul White		-64		-64							Amber	Removal of vacant Contracts Manager post as a savings opportunity in Procurement £34k. Additional traded income £30k	
Service Reviews	Audit & Risk Management	Duncan Wilkinson		-227		-227							Green	Restructure of posts within Internal Audit; reducing senior management; removing vacancies and improving the skills mix in the service. MKC PDA - £100k saving on staff, Head of Service/Audit Manager	
Service Reviews	Revenues & Benefits	Alistair Townsend				0							Amber		
	TOTAL		0	-621	0	-621									
			-2,080	-1,302	0	-3,382									

Appendix 2 - 2016-17 BUDGET SAVINGS DELIVERY TRACKER

[illegible]

Agenda Item No: 4

LGSS Statement of Accounts Update

To: LGSS Joint Committee

Date: 17th November 2016

From: LGSS Finance

Purpose: To update the Joint Committee on the progress on the audit of the 2015-16 LGSS Statement of Accounts, and on the objection to the 2014-15 LGSS Statement of Accounts.

Recommendation: That the Joint Committee note and comment on the report, and in particular whether a further meeting needs to be scheduled to consider the final 2015-16 Statement of Accounts as per paragraph 3.4.

1. Background

- 1.1 LGSS produces its own annual Statement of Accounts alongside the Accounts that are produced by each authority in their own right. The LGSS accounts encompass LGSS income and expenditure from within each of the host authorities, and also consolidates the LGSS Law accounts. Whilst the single entity accounts of Northamptonshire and Cambridgeshire County Councils include the proportion of LGSS attributable to each authority, the LGSS Statement of Accounts show the combined position across all of the LGSS operational budgets (in other words excluding the managed budgets that LGSS manages on behalf of the host authorities).
- 1.2 The 2015-16 LGSS Statement of Accounts cover the financial year to 31st March 2016, and therefore do not include Milton Keynes Council which became an LGSS shareholder authority on 1st April 2016.
- 1.3 From 1 April 2015, the implementation of the Local Audit and Accountability Act 2014 has meant that joint committees are no longer required to have their accounts separately prepared and audited. Consequently, for the 2015-16 financial year and onwards, production of formal accounts by LGSS is no longer statutorily required. However LGSS has decided to continue to produce accounts as it is committed to accountability and transparency. As these are not statutory accounts they sit outside of the requirements of the Accounts and Audit Regulations 2015, and therefore there is no statutory deadline for publication.
- 1.4 The draft LGSS Statement of Accounts 2015-16 were circulated to Joint Committee members on 9th August 2016. The draft accounts were also presented to the Audit Committees at Northamptonshire and Cambridgeshire County Councils. The accounts and associated working papers have subsequently been passed for audit to LGSS's external auditors, KPMG.

2. Audit of the 2015-16 LGSS and LGSS Law Statement of Accounts

- 2.1 KPMG have been appointed to audit the accounts of both LGSS and LGSS Law. The external auditors presented their audit plans to the Joint Committee on 18th August 2016. The external auditors have subsequently been undertaking their audit work as outlined within those plans.
- 2.2 The auditors were on site at LGSS Law's offices in August to carry out their audit fieldwork and substantive testing. The audit of the LGSS Law accounts is largely complete. As it is the first year that LGSS Law have produced accounts following their first year of trading, officers have worked closely with the auditors to ensure that the accounts meet all the applicable accounting regulations, contain the appropriate disclosures, with sufficient audit evidence. This will ensure a smooth roll forward to subsequent years. One matter which has emerged during the course of the audit of the LGSS Law accounts is in relation to the treatment of the pensions liability relating to LGSS Law staff, and whether this liability should sit within the LGSS Law accounts or within the host authorities' accounts. Subject to the resolution of this matter it is anticipated that the LGSS Law accounts will be signed off by its board at their meeting on 28th November 2016.
- 2.3 The audit fieldwork is also underway on the LGSS accounts. This work started later than originally timetabled. The audit of the host authorities' accounts had to take precedence due to their statutory deadline of 30th September. As the LGSS accounts do not have the same statutory deadline the decision was taken to delay the

commencement of the LGSS audit until the audit of the Council accounts had been completed. Each authority also had to have their Whole of Government Accounts (WGA) submission externally audited prior to completion in October. LGSS's Integrated Closedown Team produce the accounts of NCC, CCC and LGSS, and KPMG's audit team undertake the audit of the NCC accounts as well as the accounts of LGSS and LGSS Law.

- 2.4 The audit fieldwork on the LGSS Accounts commenced on 10th October. This work is in progress. The auditors have been reviewing LGSS's working papers, undertaking substantive testing of the figures and transactions within the accounts, and inspecting supporting documentation.
- 2.5 Their review of payroll expenditure is complete. Sample testing of income, debtors, creditors, and non-payroll expenditure is underway and expected to be completed by 11th November, subject to samples being received by 10th November. During the remainder of the audit further fieldwork will be undertaken by KPMG on testing journal entries, reviewing the cash balances disclosed within the accounts, and reviewing the consolidation of the LGSS Law balances into the LGSS accounts.

3. Next steps and sign off of the 2015-16 accounts

- 3.1 As the LGSS accounts consolidate the accounts of LGSS Law, the LGSS accounts cannot be formally signed off until the LGSS Law accounts have been approved.
- 3.2 As outlined above, it is anticipated that LGSS Law's accounts will be signed off by its board at their meeting on 28th November 2016.
- 3.3 The relevant sections of the founding authority constitutions delegate responsibility to the LGSS Joint Committee for the approval of the annual report which includes the Statement of Accounts. Consequently once the audit has been completed, and the LGSS Accounts have been signed off, the LGSS Accounts will be presented to the Joint Committee for formal sign off by the Chair and by the Director of Finance. At this point KPMG will present their formal audit report to the Joint Committee and issue their audit opinion on the 2015-16 LGSS accounts.
- 3.4 The next scheduled meeting of the Joint Committee is in March 2017. It is anticipated, subject to the conclusion of the matters set out in the rest of this report, that the accounts will be available for sign off by this meeting. Joint Committee members may wish to consider whether a separate committee meeting should be scheduled prior to March in order to approve the accounts once the audit has been completed. Subject to members' availability, a formal meeting in January is suggested.

4. Public objection to the 2014-15 Statement of Accounts

- 4.1 Joint Committee Members will be aware, a member of the public submitted a formal objection to the 2014-15 LGSS Statement of Accounts. This was a lengthy and wide-ranging objection, which KPMG described as one of the most complicated that they had seen. It concerns a variety of matters including the method of preparation of the accounts, the judgements that had been made, and the accounting treatments in respect of income, expenditure, VAT and cash. The 2014-15 LGSS Statement of Accounts cannot be formally signed off until this objection has been concluded.

- 4.2 Once an objection has been raised there is a formal process which must be followed. This is overseen by Public Sector Audit Appointments (PSAA), a subsidiary of the Local Government Association, which is responsible for the functions previously undertaken by the Audit Commission.
- 4.3 Following the submission of the objection KPMG undertook further audit testing. Officers provided further information to KPMG and have answered questions on the points raised in the objection letter.
- 4.4 KPMG issued their response outlining their preliminary findings to the objector in May/June 2016. The objector then had 30 days to respond, during which time a further letter to KPMG was submitted.
- 4.5 KPMG have since been considering the content of this second letter, and officers have provided further information to KPMG in relation to the points raised. The latest position is therefore that the objection is ongoing. It was hoped that a conclusion would be reached by the time of the November Joint Committee meeting, however the objection does still remain ongoing.

5. Next steps in relation to the public objection

- 5.1 Once KPMG have reached their final opinion on the objection they will submit their findings to the PSAA for review and consideration. It is not known how long the PSAA review will take once it commences. Once this review has been completed the objection will be formally concluded and the 2014-15 LGSS accounts can be signed off. There would be no further recourse to appeals or further objections after that point, although the objector could pursue legal action.
- 5.2 Given that both the 2014-15 and 2015-16 LGSS Accounts are still to be approved, once the objection is concluded it would be considered good practice for the Joint Committee to approve both year's accounts at the same meeting; subject to both being completed in a similar timescale.

6. Recommendation

- 6.1 The Joint Committee is asked to note and comment on the report and in particular whether a further meeting needs to be scheduled to consider the final 2015-16 Statement of Accounts as per paragraph 3.4.

Formal / Informal	Date and time of meeting	Venue	Proposed Agenda items	Standing item?	Lead	Public or private	Sign off by LGSS Management Board	Deadline for papers to Democratic Services	Agenda and Papers dispatch date
2017									
January 2017									
Informal	19th Jan 2017 14.00-16.00	Wyboston Lakes Training and Conference Centre MK44 3AL	Provisional hold for workshop on LGSS Strategic Plan					10th Jan 2017	11th Jan 2017
February 2017									
Formal	23rd Feb 2017 14.00-16.00	Wyboston Lakes Training and Conference Centre MK44 3AL	Apologies and declarations of interest	Yes	Chair	Public		14th Feb 2017	15th Feb 2017
			Minutes from previous meeting	Yes	Chair	Public			
			LGSS 2016/17 Budget Monitoring Report	Yes	Matt Bowmer	Public			
			Joint Committee Agenda Plan	Yes	Chair	Public			
June 2017									
Formal	1st June 2017 14.00-16.00	Wyboston Lakes Training and Conference Centre MK44 3AL	Apologies and declarations of interest	Yes	Chair	Public		23rd May 2017	24th May 2017
			Minutes from previous meeting	Yes	Chair	Public			
			LGSS 2016/17 Budget Monitoring Report	Yes	Matt Bowmer	Public			
			External Audit Plan - LGSS	No	Matt Bowmer	Public			
			Draft Annual Statement of Accounts - LGSS	No	Matt Bowmer	Public			
			External Audit Plan - LGSS Law Ltd	No	Matt Bowmer	Public			
			Draft Annual Statement of Accounts - LGSS Law Ltd	No	Matt Bowmer	Public			
			Joint Committee Agenda Plan	Yes	Chair	Public			

Formal / Informal	Date and time of meeting	Venue	Proposed Agenda items	Standing item?	Lead	Public or private	Sign off by LGSS Management Board	Deadline for papers to Democratic Services	Agenda and Papers dispatch date
August 2017									
Formal	TBC	TBC	Election of Chair	No	Clerk to Committee	Public			
			Election of Vice Chair	No	Chair	Public			
			Apologies and declarations of interest	Yes	Chair	Public			
			Minutes from previous meeting	Yes	Chair	Public			
			LGSS 2016/17 Budget Monitoring Report	Yes	Matt Bowmer	Public			
			Sign off of Annual Statement of Accounts - LGSS	No	Matt Bowmer	Public			
			Sign off of Annual Statement of Accounts - LGSS Law Ltd	No	Matt Bowmer	Public			
			Joint Committee Agenda Plan	Yes	Chair	Public			
November 2017									
Formal	TBC	TBC	Apologies and declarations of interest	Yes	Chair	Public		7th Nov 2016	9th Nov 2016
			Minutes from previous meeting	Yes	Chair	Public			
			LGSS 2016/17 Budget Monitoring Report	Yes	Matt Bowmer	Public			
			Joint Committee Agenda Plan	Yes	Chair	Public			
			ERP Gold Presentation	No	Peter Borley-Cox	Public			
2018									
TBC									
	TBC	TBC							
TBC									
	TBC	TBC							



Formal / Informal	Date and time of meeting	Venue	Proposed Agenda items	Standing item?	Lead	Public or private	Sign off by LGSS Management Board	Deadline for papers to Democratic Services	Agenda and Papers dispatch date
TBC									
	TBC	TBC							
TBC									
	TBC	TBC							

