

Cambridgeshire County Councillors
Shire Hall
Cambridge

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19th March 2018

Dear Councillor

Northamptonshire County Council (NCC) - Best Value Inspection Report and Recommendations – Implications for Cambridgeshire Taxpayers Future for Local Government shared services?

At your meeting on Tuesday at Agenda Item 8 you will be discussing proposals for further changes in the constitution, allowing further delegation of governance to Local Government Shared Services (LGSS). I urge all elected members to read and very carefully consider the conclusions of the Inspector, Max Caller CBE, before voting to approve any further delegation to LGSS. The Report can be found at :-
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/690731/Best_Value_Inspection_NCC.pdf

The report, in Paras. **3.37 – 3.39** is highly sceptical about LGSS's claimed financial savings for the participating authorities. At **3.55 - 3.57** the Inspector comments adversely on lack of financial control and confusion of responsibilities between NCC and LGSS staff. This certainly reflects recent experience as an objector to the Cambridgeshire 2016/17 Statement of Accounts which remains unresolved. Formal objection documents dated 10th August 2017 were submitted to the ClosedownTeam at **Northampton** and to the external Independent Auditor, Lisa Clampin, BDO LLP.

At pages 32 and 33 the Inspector comments specifically on LGSS arrangements which again are very similar to those of the other authorities. Significant comments are :-

3.106 "There are a number of areas where **the relationship with LGSS at best confuses accountability and at worst prevents it**".

3.109 "**Risk Management at the Council has been poor**, with the Audit Committee struggling to get any traction on it being taken seriously in the Council".

3.110 "**Internal audit suffers from the way LGSS arranges its activity** with limited scope to deploy staff flexibly across the member councils. While **legal services are delivered by LGSS Law Ltd**, the lack of an **appreciable client role for legal services** has not assisted the council in controlling its legal costs".

3.112 "The inspection team feel there would be benefit in **reviewing the relationship between NCC and LGSS to ensure there was clearer accountability** and the Council had strategic capacity close to its decision makers. This is **particularly pertinent, as it appears that LGSS is no longer generating surpluses which can be applied to reduce the overall costs to the constituent councils**".

LGSS Law Ltd is a private limited company (the company) with two directors who **hold senior executive and/or statutory roles at its principal local authority clients**, who have paid over £23 million into the company since June 2015. In the Cambridgeshire current Business Plan, approved by Council last month, the company seeks a **£499,000** unsecured "cash flow loan" from the County Council. However, Beta Companies House web site (Feb 2018) now reveals that **LGSS Law Ltd**

has very high debt and creditor levels and at 31st March 2017, **loan re-payment of £950,000** to Northamptonshire County Council remained outstanding together with a pension **fund deficit of £1.7 million**, a liability which is underwritten by the three client local authorities. In the light of current financial pressures and the Inspector's comments above, Cambridgeshire taxpayers are entitled to ask :- (a) Is there a **conflict of interest** where the Executive Director of LGSS Law Ltd. as a service providing company, is also the appointed Monitoring Officer at two client local authorities, namely, Cambridgeshire and Central Bedfordshire? and (b) does a loan of up to £499,000 to a company with serious financial problems, represent **prudent use of taxpayer's money** at a time when front line services are in jeopardy?

It would appear that the future of LGSS and its associated companies is therefore in some doubt. If the section 114 notice remains in force at Northamptonshire then expenditure on LGSS functions could remain frozen in order to protect front line essential services, at least until Commissioners to be appointed by Secretary of State are in place. Will this mean that expenditure currently shared between Northampton, Cambridgeshire and Milton Keynes will have to be met by CCC and MKC alone?

In a report sent to all members of Council and senior officers a year ago, I gave details of the inadequate performance and function of the LGSS Joint Scrutiny Working Group which had failed to scrutinise the 2017/18 LGSS budget and to deal with the outstanding objection to the LGSS 2014/15 Accounts.

<http://www.mike-mason.uk/docs/finance/Member%20Report%20MJM%2021-03-17.pdf>

In a written reply to a question under rule 9.2, published on 28th March 2017, Councillor Count stated:- "**CCC have lost confidence in the ability of LGSS IT to provide a stable IT service to our end users. CCC are seeking to take back a degree of control in order to improve the stability of our core IT platform**". The three Councils have since spent in excess of £10m to develop a common accounting system, ERP Gold. Implementation of this hugely complex system is long overdue with a latest go live date of April 2018. An independent report by Agilysis was highly critical of progress so far and casts serious doubt upon the ability of LGSS to successfully commission the system. Any attempt by NCC, CCC and MKC to "go live" without thorough testing and training of thousands of end users could result in catastrophic failure of finance and accounting systems.

In view of the very high risk to public funds I urge the Council to review its commitment to provide loan finance to LGSS Law Ltd. and furthermore, in the light of the comprehensive Government inspection at Northamptonshire, to re-examine the policy of creating or extending shared service arrangements?

Yours Sincerely,

Mike Mason

Copied to :- Senior Officers at Cambridgeshire County Council

