LGSS JOINT COMMITTEE

Date:Thursday, 01 June 2017

Democratic and Members' Services
Quentin Baker
LGSS Director: Lawand Governance
Shire Hall
Castle Hill
Cambridge
CB3 0AP

<u>14:00hr</u>

Training Room 17, Wyboston Lakes Training & Conference Centre, Great North Road, Wyboston, Bedfordshire, MK44 3AL

AGENDA

Open to Public and Press

Exclusion of Press and Public

To resolve that the press and public be excluded from the meeting on the grounds that the following item contains exempt information under Paragraph 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 the financial or business affairs of any particular person (including the authority holding that information)

11 LGSS New Business Opportunities Review

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

The LGSS Joint Committee comprises the following members:

Councillor Robin Brown (Chairman) Councillor Robert Middleton (Vice-Chairman)

Councillor Ric Brackenbury Councillor Keith McLean Councillor Bill Parker and Councillor Bob Scott Councillor Chris Boden Councillor Paul Raynes and Councillor Graham Wilson

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

Clerk Email: daniel.snowdon@cambridgeshire.gov.uk

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/ccc-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/ccc-carpark or public transport

LOCAL GOVERNMENT SHARED SERVICES JOINT COMMITTEE: MINUTES

Date: Thursday, 23rd March 2017

Time: 2.00pm – 3.55pm

Place: Wyboston Lakes Training & Conference Centre, Wyboston

Present: Cambridgeshire County Council (CCC): Councillors Roger Hickford and Ian Manning

Milton Keynes Council (MKC): Councillors, Ric Brackenbury, Keith McLean and Robert Middleton (Vice-Chairman)

Northamptonshire County Council (NCC): Councillors G Lawman (Substituting for Councillor Robin Brown), Bill Parker and Bob Scott.

Others in attendance:
Mark Ashton (LGSS Director of Business Services, Systems and Change) Matt Bowmer (LGSS Director of Finance), Andrew Cardoza (KPMG), Martin Cox (LGSS HR Director), Ian Farrar (LGSS Director of IT Services), Paul Hanson (LGSS Democratic Services Manager), Nicole Jones (Corporate Director: Finance Milton Keynes Council), John Kane (LGSS Managing Director), Damon Lawrenson (Director of Finance Northamptonshire County Council), Daniel Snowdon (Democratic Services Officer), Clare Townrow (LGSS Head of Customer Engagement and Business Development) and Pam Whitehouse (LGSS Customer Engagement and Service Improvement Manager).

Apologies: Councillor Robin Brown (Substitute Councillor Graham Lawman).

135/17 DECLARATIONS OF INTEREST

None.

136/17 MINUTES – 19TH JANUARY 2017

The minutes of the meeting held on 19th January 2017 were agreed as a correct record and signed by the Vice-Chairman.

Andrew Cardoza from KPMG provided an update regarding the objection received in relation to the 2015/15 LGSS Statement of Accounts. The process that related to the objection had concluded and was now closed and the accounts had been signed off. A letter had been issued to the objector, informing him of the outcome was issued on 27 February 2017 and Mr Cardoza confirmed that the only recourse for the objector if still dissatisfied with the outcome would be to begin legal proceedings against KPMG and the PSA.

137/17 LGSS BUDGET MONITORING REPORT

The Joint Committee received the LGSS budget monitoring report. Members noted the overall forecast outturn variance of £167k which was split between and underspend of £458k on LGSS services, and a £625k pressure on trading contracts. The launch of the new HR and financial management system ERP Gold had been delayed and as a result incurred additional costs that would be reflected within future iterations of the capital section of the report.

During the course of discussion Members:

- Questioned when ERP Gold would be delivered and what the overspend will be on the project. Officers confirmed that the system would be operational from 1st September 2017 and the delay in its implementation would result in additional costs of £1m.

- Expressed concern regarding the delay to the implementation of ERP Gold and sought assurance that the target implementation date of 1st September 2017 was achievable. Officers explained that that there was a detailed plan that underpinned the project and were confident that the system would be implemented on 1st September 2017.

- Requested that a progress report regarding ERP Gold be presented at the next meeting of the Joint Committee. **ACTION**

Noted that the budget monitoring report would be circulated to Members on a monthly basis.

It was resolved to:

1. Note the financial monitoring position as at 31 January 2017

2. Note the summary position on carry forward balances.

3. Note the capital monitoring position regarding LGSS capital projects.

138/17 LGSS STRATEGIC PLAN

Members received the LGSS Strategic Plan 2017/18 to 2021/22. Officers informed Members that the presented plan reflected the input from Members received at recent workshop. Officers drew attention to the vision of LGSS and the goals that underpinned it.

Members noted the revised table on page 18 of the strategy that was presented at the meeting. The table included 2 additional lines, the Base Budget 2016/17 and Transfers to/from LGSS Base that were published on page 19 of the strategy.

During discussion Members:

- Questioned how, with regard to goal 4 of the strategy, LGSS could be successfully promoted and sold to the wider public. Officers drew attention to the re-development of the LGSS website that would be launched in July 2017 and external communications strategy that would assist in marketing LGSS. Officers highlighted potential opportunities for LGSS to provide Revenues and Benefits services to Horsham District Council. Members noted the different services that LGSS provided and that each one developed its own growth strategy that suited that particular market.

- Expressed concern regarding goal 3 of the strategy that sought to double the scale of LGSS over the next 5 years and questioned what plans were in place if the goal became unachievable. Officers explained that growth was not dependent on LGSS attracting another local authority and could be achieved through winning individual contracts.

- Noted that continued changes within local government provided opportunities for the growth of LGSS and questioned how the Pensions Service could achieve significant income growth. Members were informed that the updating of the Altair system that underpinned the Pensions Service provided growth opportunities through the sharing of it.

- Highlighted the opportunities provided by Sustainability and Transformation Plans (STP) for the development of LGSS.

- Queried why the setting up of LGSS as a separate entity had been omitted from the strategic plan. Officers explained that that the benefits of setting up LGSS as a separate entity would have to significantly outweigh the current complications of the current operating model. The Chairman drew attention to the benefits of the current operating model - in particular, continuity of employment with member authorities - which served as a significant factor in Milton Keynes Council (MKC) choosing to join LGSS. Although MKC would remain open to the possibilities of alternative models, at present MKC would be concerned about changing the operating model as stability for staff was vital.

- Confirmed that Next Generation Working, the strategy that encouraged more flexible working was operated at all partner authorities under different names.

- Confirmed that LGSS was no longer an acronym as Local Government Shared Services was no longer appropriate when operating in the health sector.

It was resolved:

1. To approve the LGSS Strategic Plan 2017/18 to 2021/22

2. Note the key financial risks documented in section 2 of the report.

139/17 DRAFT LGSS INTERNAL AUDIT PLAN

The Joint Committee was presented the draft internal audit plans for LGSS and LGSS Law and the Internal Audit Strategy and Charter. Members noted the recruitment and retention of auditors that had been a key challenge for the service and the ongoing commitment of the service to continuous professional development.

During the course of discussion Members:

- Queried whether the opinion of KPMG had been sought when preparing the plan and charter. Officers confirmed that both adhered to the external auditors requirements.

- Confirmed that the Internal Audit Strategy and Charter represented best practice in audit and was compliant with guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- Confirmed that IT audits would be carried out by a trained specialist that had been developed internally. Officers agreed to share further information regarding the auditing of IT with Members. **ACTION**

It was resolved:

1. To approve the 2017/18 LGSS Audit Plan

2. To note the 2017/18 LGSS Law Ltd Audit Plan.

3. To approve the Internal Audit Charter.

140/17 EXCLUSION OF PRESS AND PUBLIC

It was resolved to exclude the press and public from the meeting for the following item on the grounds that the item contains exempt information under Paragraph 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 the financial or business affairs of any particular person (including the authority holding that information).

141/17 LGSS CUSTOMER SATISFACTION RESULTS AND SERVICE IMPROVEMENTS

Members were presented the results of the LGSS customer satisfaction survey.

It was resolved to note the contents of the presentation.

Chairman

For the public sector

Agenda Item No: 3

LGSS Management Board

10 May 2017

Subject: **LGSS 2016-17 Final Outturn**

Actions:

1. **Note the outturn position for 2016-17 to be presented to Joint Committee on 1 June.**
2. **Note the outturn position for 2016-17 on LGSS capital projects.**
3. **Note the proposed use of 2016-17 surplus as set out in Section 2 appendix 2(a).**
4. **Note the proposed carry forward of unused earmarked balances from 2016-17 into 2017-18 as set out in appendix 2(b).**
5. **Note that under the current proposals a dividend will not be paid to the host authorities for 2016-17.**
6. **Note the preparation of the draft LGSS Accounts for 2016-17 to be presented to Joint Committee at its meeting in September.**

Section 1 – Summary Financial Position

	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Outturn £000	2014-15 Outturn £000	2015-16 Outturn £000	2016-17 Provisional Outturn £000
Brought Forward (1 April)	**0**	**-1,489**	**-3,289**	**-2,893**	**-2,005**	**-2,025**
Reinvestment	**0**	**604**	**2,402**	**2,091**	**2,005**	**2,025**
Repayment to Norwich City Council	**0**	**0**	**184**	**0**	**0**	
Distribution of prior year dividend	**0**	**0**	**700**	**700**	**0**	
Actual Surplus	**-1,489**	**-2,404**	**-2,009**	**-652**	**-204**	**-969**
Balance at 31 March	**-1,489**	**-3,289**	**-2,012**	**-754**	**-204**	**-969**
Planned Reinvestment	**0**	**0**	**-881**	**-1,251**	**-1,821**	**-725**
LGSS Reserves at 31 March	**-1,489**	**-3,289**	**-2,893**	**-2,005**	**-2,025**	**-1,694**

The Table above summarises:

- The outturn position for 2011-12 through to 2015-16 as previously reported to Joint Committee.
- The 2016-17 outturn position outlined in Section 2 of this report and detailed in Appendices 1(a) and (b).
- The planned reinvestment for 2017-18 as detailed in Appendix 2 (b). (Carry forward Schedule)

The actual physical balance in reserves as at 31.03.17, £278k, due to the temporary use by NCC of £447k LGSS reserves, which have been replaced in the current year.

It is proposed to use the 2016-17 LGSS surplus as follows:

	£000
Planned reinvestments as per the carry forward schedule	864
Top-up trading smoothing reserve	105
TOTAL	**969**

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 have been no draw downs in 2016-17, leaving a current balance of £75k.

Section 2 – 2016-17 LGSS Final Outturn

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Pressures £000	Full Year Variance £000
Finance Services	-309	23,158	-7,447	-868	14,843	622	-110
Human Resources	-336	11,347	-2,428	-1,155	7,765	522	-336
Business Services, Systems & Change	-372	18,498	-3,905	-777	13,818	216	-383
Information Technology Services	-89	20,170	-1,473	-2,828	15,869	418	-217
LGSS Law & Governance	-54	2,127	-127	2	2,002	0	-52
Managing Director & Support	149	506	-10	0	496	0	129
Total LGSS Services	**-1,011**	**75,806**	**-15,389**	**-5,626**	**54,793**	**1,778**	**-969**
Trading Account	708	2,899	-25,573	-275	-22,949	0	689
Total LGSS Operational	**-303**	**78,705**	**-40,962**	**-5,901**	**31,844**	**1,778**	**-280**
MKC / LGSS Partnership Contingency	-292	292	0	0	292	0	-292

1. The overall outturn variance of £280k is split between an underspend of £969k on LGSS Services, and a £689k pressure on trading contracts. The former recognises pressures that have been identified in-year, but where actions have been taken to mitigate these in year. The trading contract variance 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 2(a), 2(b) and 2(c). £100k adverse variance within Managing Director & Support is due to an undelivered saving with regard to hosting of the new pensions payroll system that is yet to be implemented, and £20k is the doubtful debt provision.

2. The £292k MKC contingency is the initial years savings from the partnership which were planned to form a contingency to support the partnership in future years.

3. The application of the overall outturn above is a matter for the Joint Committee to agree and decide upon. The carry forward schedule Appendix 2 (b) provides a summary of the new carry forward bids put forward by services for 2017-18, a total of £864k.

4. The balance in reserves pre April 17, is £725k, and the requests for use of these reserves are also on the carry forward schedule Appendix 2 (b).

5. 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. Appendix 4 gives further detail on a scheme by scheme basis.

	Expenditure Profile	Funding Profile	
Authority		**External**	**Discretionary**

	Exp Budget £000	Prev Year's Exp £000	Actuals 2016-17 £000	Forecast Future Years £000	Total Life of Project £000	Over/(Under) Spend v Approved Exp £000	£000	£000	Total Funding of Project £000
NCC	21,856	15,287	4,508	2,138	21,933	77	863	20,993	21,856
CCC	1,428	515	592	321	1,428	0	0	1,428	1,428
MKC	5,307	572	3,380	1,355	5,307	0	0	5,307	5,307
TOTAL	**28,591**	**16,374**	**8,480**	**3,814**	**28,668**	**77**	**863**	**27,728**	**28,591**

Appendix 1 (a)

2016-17 Outturn 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 March £000	Pressures £000	Full Year Variance £000
Finance Services Directorate:								
Professional Finance								
CCC	1	1,625	0	-135	1,490	1,491	61	1
MKC	-170	2,147	-53	0	2,094	2,114	219	20
NCC	102	2,000	-57	-143	1,800	1,902	172	102
Financial Operations	-129	4,752	-130	-67	4,555	4,426	0	-130
Integrated Finance Services	-44	2,097	-684	-401	1,012	966	108	-46
LGSS Business Planning & Finance	25	448	0	0	448	487	62	38
Audit & Risk	-94	2,311	-508	-122	1,681	1,587	0	-95
Pensions Operations	0	5,841	-5,814	0	27	27	0	0
Norwich	0	984	0	0	984	984	0	0
NBC	0	798	-5	0	793	793	0	-0
Land Charges (NBC)	0	155	-196	0	-41	-41	0	0
Total Finance Services Directorate	**-309**	23,158	-7,447	-868	**14,843**	**14,736**	**622**	**-110**

The Directorate has an outturn underspend of £110k.

The overspend in MKC Professional Finance is due to pension strain and redundancy costs of £219k; these redundancies will help to achieve future year savings. The service has been able to absorb the majority of these costs due to vacancies, increased recovery from Milton Keynes Development partnership for the Commercial Accountant and government funding for Transparency Act work.

The overspend of £102k in the NCC Professional Finance team relates to one-off costs for an interim Director of Finance at NCC, and redundancy costs relating to the LGSS restructure. Additional income was achieved which has reduced the overspend.

The Financial Operations team has an underspend of £130k, positions have purposely been held vacant as this team is in the process of restructuring.

There is an underspend within the Integrated Finance Service due to additional schools income within NCC. There is an inherent pressure on the traded schools income target in MKC which has been rectified for the 2017-18 base budget.

The overspend of £38k in the LGSS Business Planning & Finance relates to one-off costs for the interim Head of Service and redundancy costs relating to the LGSS restructure.
Audit and Risk have an underspend due to vacancies throughout the year, appointments have now been made and the team is almost at full establishment. Additional recharge income of £15k has been achieved in relation to the Norwich contract.

There is an historically large vacancy factor of £177k which has been mitigated within the NCC & CCC Professional Finance, Integrated Finance Services and LGSS Business Planning & Finance teams.

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 March £000	Pressures £000	Full Year Variance £000
Human Resources Directorate:								
HR Central Management	-3	233	0	0	233	231	0	-3
Policy & Strategy	-106	1,650	-105	-100	1,445	1,340	0	-106
HR Business Partners								
CCC	-99	1,429	0	-96	1,333	1,234	0	-99
NCC	-66	1,155	0	0	1,155	1,090	33	-66
NCC Schools Income	51	0	-298	0	-298	-247	51	51
Learning & Development	-73	3,077	-641	-803	1,633	1,560	0	-73
Transactional Services (NCC/CCC)	-60	1,966	-705	-156	1,106	1,046	0	-60
MKC HR Operations	-14	930	0	0	930	916	138	-14
MKC Traded Schools	0	256	-416	0	-160	-160	146	0
MKC HR Transactions	-10	651	0	0	651	641	0	-10
MKC HR Transactions - Schools Income	44	0	-263	0	-263	-219	154	44
Total HR Directorate	**-336**	**11,347**	**-2,428**	**-1,155**	**7,765**	**7,432**	**522**	**-336**

The Directorate has an outturn underspend of £336k.

The Directorate has purposely been holding vacancies, in order to meet the 2017-18 savings targets and the need to absorb the lost income from HDC and NBC contract terminations.

This underspend has been achieved despite the shortfall in traded schools income of £190k in MKC and £51k in NCC. The pressure in MKC is due to unachievable income budgets and it has been accepted that any future mitigating actions creating schools income is most likely going to be in 2018-19. A £220k reserve has been used in 2016-17 and the Directors of Finance are looking at re-aligning the full target for 2017-18 with a decision to be made in May given the wider restructuring taking place. The pressure in NCC is due to decreased demand.

In addition to the above pressures, the NCC policy decision to improve recruitment for teachers in Northamptonshire and offer this service for schools at no cost has already had an impact on LGSS. The income for the month of March was £22k less than the previous forecast. The full year impact of this decision will be a reduction in income of up to £350k. No actions are underway to mitigate this and discussions continuing. If no solutions are found for this lost income source then an equivalent overspend will have to be reported in the first round of 2017-18 budget monitoring round.

A carry forward request has been submitted with this report to carry forward £29.5k to 2017-18 for Evolve training and to upgrade MKC's online learning portal to LGSS' ilearn. The customer requirement is for this training to be delivered in 2017-18; without this training there will be no development for Senior Managers to progress to the next leadership level.

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 March £000	Pressures £000	Full Year Variance £000
Business Services, Systems & Change Directorate:								
BSSC Leadership	-14	79	0	0	79	64	0	-14
Procurement & Insurance	-199	2,330	-205	-574	1,552	1,340	0	-212
LGSS Business Systems & Change	179	4,612	-23	-172	4,417	4,596	216	179
Customer Engagement	16	420	0	-16	404	420	0	16
Business Development	-15	124	0	0	124	109	0	-15
Revenues & Benefits (MKC)	-339	4,912	-2,940	0	1,972	1,635	0	-337
Revenues & Benefits (NBC)	0	3,639	-737	-15	2,888	2,888	0	0
Revenues & Benefits (Norwich)	0	2,382	0	0	2,382	2,382	0	0
Total BSSC Directorate	**-372**	**18,498**	**-3,905**	**-777**	**13,818**	**13,434**	**216**	**-383**

The Directorate has an outturn underspend of £383k.

There is a £14k underspend in BSSC leadership as there was a short delay in recruiting to the Director post.

There is an underspend of £212k in Procurement. This is due to improved income, staff vacancies and deferred recruitment.

There is an overspend of £179k on the LGSS Business Systems & Change 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 was not achieved. There is an overspend of £40k due to ERP user admin savings not being met and there is an additional £22k overspend due to a cross cutting saving not being deliverable. Additional pressures of £54K have been partly mitigated by recharging qualifying costs to capital.

There is an underspend of £337k in Revenues and Benefits (MKC) due to a combination of delays in the recruitment process and a reduction in hours worked by temporary staff.

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 March £000	Pressures £000	Full Year Variance £000
IT Directorate:								
Cambridgeshire County Council	78	2,190	0	-771	1,419	1,507	125	89

MKC IT	-185	3,760	-665	0	3,095	2,807	118	-288
Northamptonshire County Council	-73	3,433	-39	-618	2,776	2,703	100	-73
Norwich	0	3,505	-500	0	3,005	3,005	14	0
NHFT	0	3,315	-253	0	3,062	3,062	0	0
Strategy & Architecture	24	865	-16	-98	751	749	6	-2
Digital Services	39	1,772	0	-964	808	837	55	29
Service Delivery	28	1,330	0	-377	953	981	0	28
Total IT Directorate	**-89**	**20,170**	**-1,473**	**-2,828**	**15,869**	**15,651**	**418**	**-217**

The Directorate has an outturn underspend of £217k.

The £89k additional cost in Cambridgeshire County Council Operations is due to unbudgeted contractors as part of the CCC Platform Stability Plan.

The MKC Operations budget has an underspend of £288k underspend, due to vacancies and planned cost avoidance in service.

There is a £29k overspend within Digital Services 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 and further mitigated by underspends within service.

Service Delivery is £28k overspent due to recharges and recovery of income not being met.

There were also budget pressures of approximately £282k which have been mitigated by staff vacancies, additional income and additional recharging to, for example, capital projects.

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 March £000	Pressures £000	Full Year Variance £000
LGSS Law and Governance Directorate:								
Democratic Support Services	-125	1,492	-127	2	1,367	1,242	0	-125

CCC Corporate Legal Budget	10	102	0	0	102	98	0	-4
LGSS Law prior year correction	61	10	0	0	10	88	0	77
NBC Legal Budget	0	523	0	0	523	523	0	0
Total LGSS Law and Governance Directorate	**-54**	**2,127**	**-127**	**2**	**2,002**	**1,951**	**0**	**-52**

The Directorate has an outturn underspend of £52k.

Within DSS, additional income from external partners was received and vacancies also contributed to the £125k underspend.

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

Appendix 1(b)
2016-17 Outturn Detail – Trading (Contracts Pre April 2016)

	Previous Forecast Variance £000	Full Year Budget £000	Forecast Outturn £000	Outturn Variance £000
Trading Surplus Target	2,799	**-2,850**	**0**	2,850
Offset by surplus on contracts (A – D below)	-2,593	**2,593**	**27**	-2,566
Trading Shortfall	**206**	**-257**	**27**	**284**
NBC (A) (excluding managed)				

Budget for Service Provision (allocated to services)	0	-7,001	-7,001	0
Pensions auto enrolment	0	115	115	0
Contract Review	0	-90	-90	0
LGSS planned surplus	0	-994	-994	0
Total Income	**0**	**-7,970**	**-7,970**	**0**
NBC Total	**0**	**-7,970**	**-7,970**	**0**
Norwich (B)				
Budget for Service Provision (allocated to services)	0	-6,733	-6,733	0
LGSS planned surplus	24	-389	-364	25
Total Income	**24**	**-7,122**	**-7,097**	**25**
Norwich Total	**24**	**-7,122**	**-7,097**	**25**
Huntingdonshire (C)				
Budget for Service Provision (allocated to services)	0	-429	-429	0
LGSS planned surplus	18	-63	-45	18
Huntingdonshire Total	**18**	**-492**	**-474**	**18**
NHFT (D)				
Budget for Service Provision (allocated to services)	0	-3,173	-3,173	0
NHFT additional share	0	111	111	0
LGSS planned surplus	97	-439	-439	0
NHFT Total	**97**	**-3,501**	**-3,501**	**0**
Other Income/Expenditure				
OCS	144	-1,447	-1,304	143
Public Health	0	-220	-220	0
Pensions	0	-1,232	-1,232	0
LGSS Law Ltd – dividend	259	-538	-279	259
LGSS Law Ltd – Prior year adjustment	110	0	110	110
LGSS Law Ltd - overhead recovery	-150	-170	-320	-150
Other Income Total	**363**	**-3,607**	**-3,245**	**362**
Total	**708**	**-22,949**	**-22,260**	**689**

NBC

There was no variance on the NBC contract.

Norwich

There is a small forecast overspend against this contract due to costs associated with the recruitment of the new Section 151 Officer.

NHFT

There was no variance on the NHFT contract.

OCS

There has been a reduction in the service offering to OCS and therefore the budgeted income target was not met in 2016-17.

LGSS Law Ltd

Following a review of the LGSS management charge and dividend policy the charge has been increased in line with the draft revised SLA and the dividend/retained profit reduced as a result of the lower profit.
A further reduction of £110k has been recognised from 2015-16 as a profit of £118k included in last years figures fell to £7k following completion of the accounts.

Appendix 1 (c)
LGSS Law Ltd. Financial Results Forecast 2016-17

The table below indicates the year end position of delivery of the dividend, with the impact of NBC contract changes being cost-neutral.

	Business Plan YTD £	Actual YTD £		Business Plan 2016-17 £	Outturn 2016-17 £		Previous Forecast 2016-17 £		Movement in Forecast £

Income From Shareholders	6,072,000	7,354,529		6,072,000	7,354,529		6,669,556		684,973
Other Income	1,371,456	1,133,000		1,371,456	1,133,000		1,363,114		-230,114
Total income	**7,443,456**	**8,487,529**		**7,443,456**	**8,487,529**		**8,032,670**		**454,860**
PAYE Costs	4,119,164	4,565,081		4,119,164	4,565,081		4,326,108		238,974
Agency Costs	1,473,874	2,285,061		1,473,874	2,285,061		2,218,976		66,085
Inter Company Charges	589,267	492,308		483,301	492,308		510,508		-18,200
Other Non Pay Costs	660,262	621,102		766,229	621,102		396,461		224,641
Total Costs	**6,842,567**	**7,963,551**		**6,842,568**	**7,963,551**		**7,452,053**		511,499
Profit before tax	**600,889**	**523,978**		**600,888**	**523,978**		**580,617**		**-56,639**
Corporation Tax	120,178	104,796		120,178	104,796		116,123		**-11,328**
Net Profit	**480,711**	**419,183**		**480,710**	**419,183**		**464,494**		**-45,311**

Dividend LGSS	**£279,455**
Dividend CBC	**£13,972**
Retained earnings	**£125,756**
Total Outturn	**£419,183**

Appendix 2(a)

Summary Position on LGSS Carry Forwards (pre MKC)

Directorate	**Service Area**	**Title**	**Total Carry Forward**	**Re-assigned**	**2016-17 Actual Drawn Down**	**Needed 2017-18**
			,£000	,£000	,£000	,£000

HR	Learning & Development	Equipping employees to use Next Generation / Smarter Business mobile technology	319	-319	0	0
HR	Learning & Development	Infrastructure investment for the development of the Learning Pool – the online training system for all LGSS customers.	95	0	0	95
BSSC	Programme Management Office	Shared Service Solution	280	0	-280	0
BSSC	Revenue & Benefits	Systems Development	55	-55	0	0
BSSC	Revenue & Benefits	LGSS R&B OBC / new systems development	100	225	0	325
Finance	Strategic Assets	Asset Management Database	58	0	0	58
IT	IT	Contribution to the cost of likely technical refresh / investment costs in relation to the shared IT data centre infrastructure.	156	0	-156	0
BSSC	Customer Engagement & Business Development	To aid in transitioning to the new structure.	34	0	0	34
Cross-Cutting		Smoothing of planned trading income	753	149	-689	213
Cross-Cutting		Redundancy Reserve	175	0	-175	0
Total			**2025**	**0**	**-1300**	**725**

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.

Summary Position on LGSS Carry Forwards (post MKC)

Directorate	Service Area	Title	Total Carry Forward	Re-assigned	2016-17 Forecast Drawn Down	Needed 2017-18
			£000	£000	£000	£000
Cross Cutting		MKC PDA Savings 2016-17	0	292	0	292

The above balance will be partly used to offset the costs of the re-scheduling of the ERP Gold programme costs.

Appendix 2 (b)

Carry Forward Bid requests 2017-18

Separate document

Appendix 3
2016-17 Outturn 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 March £000	Full Year Variance £000
Cambridgeshire County Council:							
Insurance	0	-137	0	0	-137	-137	0
External Audit	0	141	0	0	141	95	-46
Members Allowances	-17	1,020	0	0	1,020	976	-45

Finance	0	1,273	-318	0	955	1,256	302
National Management Trainees	0	131	0	0	131	84	-47
Information Technology	242	4,063	-159	-2,041	1,863	1,970	107
Total	**225**	**6,492**	**-477**	**-2,041**	**3,973**	**4,244**	**271**
Milton Keynes Council:							
Revenue & Benefits	0	0	-1,800	0	-1,800	-1,800	0
Human Resources	74	162	-17	0	145	218	73
Information Technology	-87	750	0	0	750	662	-88
Total	**-13**	**912**	**-1,817**	**0**	**-905**	**-920**	**-15**
Northampton Borough Council:							
External Audit	0	260	0	0	260	260	0
Policy and Strategy	0	129	0	0	129	129	0
Information Technology	0	1,271	0	0	1,271	1,272	1
Insurance	0	754	0	26	781	903	122
NBC Managed Income	0	0	-2,440	0	-2,440	-2,440	0
Total	**0**	**2,414**	**-2,440**	**26**	**1**	**124**	**123**
Northamptonshire County Council:							
External Audit	-59	244	0	0	244	185	-59
Pensions costs (LGSS Law)	0	0	0	0	0	93	93
Policy and Strategy	-99	387	0	-17	370	271	-99
Learning & Development	0	580	0	0	580	580	0
Information Technology	130	8,263	0	-46	8,217	8,347	130
Democratic Services	-31	1,364	0	0	1,364	1,333	-31
Procurement	-62	-200	0	0	-200	-262	-62
Total	**-121**	**10,638**	**0**	**-63**	**10,575**	**10,547**	**-28**

Cambridgeshire County Council

External Audit costs for 2016-17 and previous financial years were less than anticipated resulting in an underspend of £46k.

There is an underspend of £45k due to a reduced travel costs within Members Allowances in CCC.

The overspend in finance is due to costs of redundancies relating to the Corporate Capacity Review. These have been partly offset by additional rebate income, an improved bad debt provision and reduced banking charges.

There has been vacancies in the Graduate Scheme which has resulted in an underspend of £47k.

The overspend within IT is due to £100k costs of WAN upgrades in libraries and community hubs and £65k revenue costs of new tablets. The final outturn includes £140k funding agreed from CCC corporate budgets for necessary expenditure on IT assets for which there was no budgetary provision.

Milton Keynes Council

There is a £73k overspend within HR managed budgets. This is due to unfunded expenditure of £30k on the ESS/Benefit Suspense budgets and a decision from MKC not to use reserve funding to cover the Trade Union- Co-ordinator overspend.

There is an underspend in IT managed budgets, due to cost avoidance on contracts and additional income achieved within print .

Northampton Borough Council

The insurance costs relate to an 18 month period, NBC will put the necessary adjustment through their accounts to reflect 12 months expenditure.

Northamptonshire County Council

There is an underspend of £59k against the NCC external audit managed budget. This is due to public inspection adverts now being online and no printing costs this year.

NCC are required to pay LGSS for the additional employer contribution costs relating to LGSS Law staff.

There is an underspend of £99k within the Occupational Health managed budget, this is as a result of the new contract and the reducing demand due to vacancy freeze.

There is a £130k overspend within IT managed due to the overlap of line lease contracts.

There is an underspend of £31k within Democratic Services due to reduced training and development costs for Members.

There is an underspend of £62k in NCC procurement due to rebates to service for click travel.

Section 3 - LGSS Capital Outturn

Appendix 4
Approved Capital Programme 2016-17 onwards

LGSS Jointly funded schemes are:
Next Generation ERP* (NCC & CCC)
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 2016-17	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**	2,553	2,802	152	**5,507**	7	0	5,500	**5,500**
Microsoft ESA & ECI 2014-17	**1,525**	758	508	259	**1,525**	0	0	1,525	**1,525**
Next Generation ERP*	**1,368**	531	14	822	**1,367**	-1	100	1,268	**1,368**
Date Centre Refurbishment	**994**	625	235	134	**994**	0	94	900	**994**
Civica ICON #	**267**	0	221	58	**279**	12	0	267	**267**
Other Schemes less than £200k 2016-17	**12,202**	10,820	728	713	**12,261**	59	669	11,533	**12,202**
Total	**21,856**	**15,287**	**4,508**	**2,138**	**21,933**	**77**	**863**	**20,993**	**21,856**

- The IT Infrastructure capital expenditure outturn for 2016-17 stands at £4.51m.

CCC	**Expenditure Profile**						**Funding Profile**		
All Figures in £000's **Scheme Name**	**Exp Budget**	**Prev Year's Exp**	**Actuals 2016-17**	**Forecast Future Years**	**Total Life of Project**	**Over/ (Under) Spend v Approved Exp**	**External**	**Discretionary**	**Total Funding of Project**
Next Generation ERP*	**1,428**	515	592	321	**1,428**	0	0	1,428	**1,428**
Total	**1,428**	**515**	**592**	**321**	**1,428**	**0**	**0**	**1,428**	**1,428**

- 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 2016-17**	**Forecast Future Years**	**Total Life of Project**	**Over/ (Under) Spend v Approved Exp**	**External**	**Discretionary**	**Total Funding of Project**
Data Hosting	**3,557**	199	2,055	1,303	**3,557**	0	0	3,557	**3,557**
ERP Gold	**1,600**	373	1,178	49	**1,600**	0	0	1,600	**1,600**
Civica Icon #	**150**	0	147	3	**150**	0	0	150	**150**
Total	**5,307**	**572**	**3,380**	**1,355**	**5,307**	**0**	**0**	**5,307**	**5,307**

- The IT Infrastructure capital expenditure outturn for 2016-17 is £3.380m.

LGSS 2017-18 Carry Forward Requests				Appendix 2 (b)	
No	**Service Description**	**Description of Bid**	**Cost £k**	**Summary of benefits**	**Financial Measurable Outcome**
1	IT	Service Desk Replacment solution	120	1. Service Desk solution replacement; following extensive negative feedback from user satisfaction surveys and other sources work has started on replacing the user facing front end of "Let's Go Direct" – the front door to LGSS Services. Further investment will be required to replace the whole LANDesk system. The intention will be to simplify and improve the customer experience, with more contacts being self-service, using automation wherever possible which will not only improve perception but also ultimately reduce cost. The replacement system will be simpler and wherever possible using a commercial off-the-shelf solution. Estimated cost £120k will pay for initial development and it is expected this will become self-financing with improvements generating savings allowing for further development and so on.	Replacing the Service Desk solution will allow more automation and reduce physical phone call to the desk. This is across all help desks, not just IT so savings will come across LGSS - for IT the direct staff saving is expected to be one FTE fropm the IT Service Desk - 25k. These are likely to be replicated elsewhere but this will be a directorate decision but estimated at £50-75k in years 1. There wil also be reduced maintenance costs for the LANDesk solution estimated at £15k. All of these are repeatable.
2	IT	Central Operations Programme and Resource Management	85	Central Operations Programme and Resource Management – There	This role will be key to delivering a co-ordinated delivery of projects. It is expected that this role will be able to be partially covered by recharging to Capital and partly covered by savings as the IT teams merge into a central function from 2018-19.

LGSS 2017-18 Carry Forward Requests				Appendix 2 (b)	
No	**Service Description**	**Description of Bid**	**Cost £k**	**Summary of benefits**	**Financial Measurable Outcome**
				is a very large volume of IT Projects driven by business transformation and this coupled with a large IT Transformation programme has created a huge and complex set of projects with more than 400 currently in progress across LGSS. In addition the ubiquity of IT means almost all projects now involve IT and the adoption of true Digital First approaches by the partners will increase this. A full time senior Programme Director managing the projects in the new Central Operations team is required to manage this at a loaded cost of about £85k. This will be a permanent role but it would be expected that the role will be funded from savings delivered in future years as IT teams merge into Central functions.	The benefit will be a faster and more responsive IT department enabling projects to be delivered quicker, reducing costs to the busienss and increasing the beneifts of business transformation which will be delivered faster. The actual immediate cost is expected to be cost neutral to IT with improvements generated enabling the role to be funded for future years, although an extra cash saving is not expected.

LGSS 2017-18 Carry Forward Requests				Appendix 2 (b)	
No	**Service Description**	**Description of Bid**	**Cost £k**	**Summary of benefits**	**Financial Measurable Outcome**
3	IT	The LGSS Digital Service	110	3. The LGSS Digital Service is a new direction for IT, developing a true Digital First capability in house enabling true end-to-end digital projects to be developed in new, agile ways. This has already been approved in Cambridgeshire – the first end-to-end integrated solution is live, the second is in final testing and these first two alone will generate £100k+ per annum savings for CCC. Further short-term funding is requested to grow capacity (£50k), capability through training and re-training (£30k) and initial software purchases (30k). This too will be expected to be self-funding as it will generate income from partners doing more work in-house and give an opportunity to sell solutions to other authorities (e.g. current conversation with Derbyshire CC). In addition this work will give capacity to develop the Health and Social Care Shared Systems and Record, needed to join up Health and Social Care services in County Councils and the NHS.	This is a setup cost as part of creating the new service which has already generated additional income for LGSS from CCC and NCC, and reduced external spend by these councils. The savings are expected to be delivered by cost avoidance as the digital service is 25-35% of the cost fo doing transformation with external suppliers, so the benefit will be cost avoidance of circa £1M to shareholding authorities

LGSS 2017-18 Carry Forward Requests				Appendix 2 (b)	
No	**Service Description**	**Description of Bid**	**Cost £k**	**Summary of benefits**	**Financial Measurable Outcome**
4	IT	The adoption of "Cloud" Services	85	The adoption of "Cloud" Services is a continuous and growing theme in IT delivery offering flexibility, automation and new ways of delivering which LGSS IT already use to develop and test new services. However, so-called "Public Cloud" is actually very expensive compared to managing services in house – a good analogy is the difference in cost in renting a car and buying one outright: it's good if you need something flexible for a short while, but prohibitively expensive for long term requirements. However the flexibility and resourcing benefits are attractive and so LGSS are developing a true Hybrid Cloud, maximising the flexibility whilst retaining the lower costs and ownership. Work has been started as part of the ERP Gold project but more is needed to deliver this in this FY. Ultimately this will avoid costs by reducing the making the IT infrastructure more efficient, and by offering opportunities to the wider public sector and £85k will move this into a live pilot.	This will generate additional income from other bodies estimated at £40k in 2017-18 and ulitmately reduce capital spend to shareholding councils.
5	Integrated Finance Services	Critical Short Term Resourcing Pressure to Deliver the Statutory Accounts to the LGSS Partners and NBC	29.6		This investment is designed to ensure the delivery of the statutory accounts for the Partners and NBC. The financial benefit will be the avoidance of audit overrun fees due to the accounts and required working papers not being ready in time and to the required quality for the audit. There are also qualitative benefits in terms of avoiding the reputational risk of not having the accounts

LGSS 2017-18 Carry Forward Requests				Appendix 2 (b)	
No	**Service Description**	**Description of Bid**	**Cost £k**	**Summary of benefits**	**Financial Measurable Outcome**
				This carry forward request is being made to support the actual delivery of one of the key requirements of the Integrated Finance Service in its first year of operation. Ensuring a successful set of accounts and associated processes will provide the platform required to deliver the earlier closure of accounts in subsequent years (statutory deadlines being brought forward), the work for which will need to begin in the autumn as soon as the 2016/17 accounts are concluded.The measurable outcome will be the delivery of the 4 sets of statutory accounts and the LGSS accounts with clean audits by the required deadlines.	prepared by the required deadlines or having qualified accounts. It is estimated that audit overruns could be in anywhere in the region of £20k plus per authority through the managed audit budgets without this investment. It should be noted that there still remains a risk of audit overrun fees through audit findings during the course of the audits unrelated to the preparation of the accounts and working papers.

LGSS 2017-18 Carry Forward Requests				Appendix 2 (b)	
No	**Service Description**	**Description of Bid**	**Cost £k**	**Summary of benefits**	**Financial Measurable Outcome**
6	Finance Operations	Increase debt recovery capacity	50	A package of improvement measures has been agreed with Northamptonshire via the Debt Management Board with reporting monthly being undertaken. The indicators for the LGSS services have all shown positive improvement during the last financial year, for example, increasing the total volume of invoices on direct debit from 50% to 59% and those collected at financial assessment stage from 50% to 80% and maintaining the levels of aged debt with the resources available has been a significant achievement. By increasing the number of Senior Debt Officers by two (so one for each Authority) we will be able to specifically target over 361+ aged debt to drive down the overall amount. This activity coupled with the continuing activities that have enable us to stabilise the position will result in an overall reduction in aged bad debt and the provision required by each Authority.	

LGSS 2017-18 Carry Forward Requests				Appendix 2 (b)	
No	**Service Description**	**Description of Bid**	**Cost £k**	**Summary of benefits**	**Financial Measurable Outcome**
7	HR Corporate Training (MKC)	Learning Pool and Evolve	29.5	Implementation of a talent management programme for middle to senior managers at MKC as part of their workforce development priorities Improved retention of middle to senior managers within MKC Improved leadership and management confidence and confidence within MKC Improved Learning and Development Offer for MKC workforce including; self service booking, leadership and management content, IT, webinars, e-learning, on-line resources. Improved middle and senior management retention rates Improved employee engagement scores within the organisation Improved absence management rates Increased accessibility and range of learning and development materials therefore leading to more confident and competent workforce.	Financial benefit will be realised by improved service delivery and retention of Senior Management talent within the organisation including reduced absence.

LGSS 2017-18 Carry Forward Requests				Appendix 2 (b)	
No	**Service Description**	**Description of Bid**	**Cost £k**	**Summary of benefits**	**Financial Measurable Outcome**
8	Procurement	Implementation of strategic sourcing approach	100	The carry forward is requested to accelerate the introduction of a strategic sourcing approach and is based on The primary objective is to improve the contribution from Procurement in terms of being able to support the delivery of our Partner Councils future financial savings targets and where feasible exceed these targets through our contribution. The objective from 2018/19 is that the additional contribution from a strategic sourceing approach will lead to a higher level of savings contribution with a share of these savings being returned by partner Councils to ensure the additional capacity/expertise is self-funding and does not add to the existing Procurement Budget. The objective over time will be to extend this concept to reduce the existing core funding as well	2017/18 is about up skilling and equipping team but as a minimum target to deliver savings from contracts budgeted for by individual Council Directorates that match the value of any carry forward. From 18/19 the target will be to deliver new in year savings relating to contracts where the budget held within individual Council Directorates (approved by Finance) on a ratio of at least 5:1 in relation to any additional on going funding that is needed to deliver the required strategic sourcing approach.

LGSS 2017-18 Carry Forward Requests			Appendix 2 (b)		
No	Service Description	Description of Bid	Cost £k	Summary of benefits	Financial Measurable Outcome
9	Revenues & Benefits MKC	Benefit Recovery Funding	240	The MKC Revs and Bens Service requires this investment to clear the backlog and introduce the recommendations from the recent DWP visit. This will enable a truly joint shared Service to be in place in the first half of the 17/18 financial year	then 9 vacant posts and due to recent resignation are likely to recruit 5 more full time officers – these take 6 – 9 months to fully train The initial 7 are 2 months into their training, • A number of contract staff are supporting this period and the 240k fund these from April 2017 for 6 months, Mark calculation of the £240k enclosed – its option 1 which is higher but with leave etc. it will come in lower. • These officers were offered an extended contract due to losing officers upon implementation of IR35 to secure them for the period of transition, • Offsite processing is also in place to clear 3,000 outstanding changes in circumstances over the next 10-12 weeks. A further contract will start shortly to supply 2 officers for 40 days each to work on the other work outstanding. • Total outstanding at the start of the backlog clearance was 5238 claims and it will be 2,500 from mid-June. • The DWP Performance Improvement team will be re – inspecting in July / August and we are confident that the measures in place will support being removed from the DWP's inspection process in the future. Failure to clear the backlog and show progress could lead to direct intervention by

LGSS 2017-18 Carry Forward Requests **Appendix 2 (b)**

No	Service Description	Description of Bid	Cost £k	Summary of benefits	Financial Measurable Outcome
				There is regular monitoring of the performance in the Revs and Bens Service. In line with the DWP recommendations joint performance targets are being prepared. As the plan is implemented reports will be provided to the Revs and Bens Joint Committee describing in detail the agreed measurable outcomes and progress against them. This will also be shared with the MKC Client as part of the Head of Service monthly one to ones with the Deputy s151 Officer. The Benefits backlog recovery plan will mitigate the potential loss in subsidy due to increased local authority error, which when above a	
	Customer Engagement and Business Development		15	The current CEBD carry forward allocation of £34k will not cover the full costs for the development of the new LGSS website (infrastructure build, design and content creation). The project costs have now been scoped, and we will require an additional £15k in order to design and build the new LGSS website.	
		Total New Bids	**864.1**		

LGSS 2017-18 Carry Forward Requests				Appendix 2 (b)	
No	**Service Description**	**Description of Bid**	**Cost £k**	**Summary of benefits**	**Financial Measurable Outcome**
10	Customer Engagement and Business Development	To support new business	34	This carry forward is to be used to contribute to the following: - Development of a new LGSS website, including digital platform solution, hosting and design. - Engaging services to develop content for website – this will require the services of a copy writer for a period of 6 months. In addition, developing case studies to market LGSS as a proven and trusted provider. - Defining the key service offers identified as LGSS priority development areas: Procurement, Revs & Bens, ERP Gold and IT Services. - Promoting LGSS customer satisfaction ratings and measures To provide the Business Development and Marketing function with a key tool to promote LGSS and support with generating new business.Reduced drain on resources in fielding inappropriate contacts from potential customers who do not fit the LGSS business model – clear and simple content which describes LGSS service offer will therefore filter enquiries. The current CEBD carry forward allocation of £34k will not cover the full costs for the development of the new LGSS website (infrastructure build, design and content creation). The project costs have now been scoped, and we will require an additional £15k in order to design and build the new LGSS website.	Value of new business generated Value of new business where initial enquiry made through website

LGSS 2017-18 Carry Forward Requests				Appendix 2 (b)	
No	**Service Description**	**Description of Bid**	**Cost £k**	**Summary of benefits**	**Financial Measurable Outcome**
11	Learning & Development	Learning Pool - Infrastructure investment for the development of the Learning Pool – the online training	95	1. Modernised & Customer Centric 2. Integrate, centralise, dynamic link to ERP Gold Build 3. Improve Learner Outcomes & Experience4. Employer of Choice 5. Supports Flexible Pricing Model) **Measurable Outcome**. Efficiency Savings - While the cost and ongoing maintenance of a new DLE platform will likely be cost neutral in fiscal terms compared with the current systems, the potential to release hidden savings in all aspects of the business through the automated management of learning is significant. Maintain and future proof now at no/cost neutral as opposed to leave and require a significant investment. Reduced costs to organisations/partners/customers – reduced printing, reduced travel, increased productivity through less downtime – information on demand, self-reliant achievers. Employer of Choice – “the benefits of adopting a digital workplace make a compelling business case. Consider the gains in: Talent attraction: 64% of employees would opt for a lower paying job if they could work away from the office.	Financial benefit expected to be direct savings of between £21k - £36k
	Revenue & Benefits	LGSS R&B OBC / new systems development	325		
	Strategic Assets	Asset Management Database	58		
	Cross Cutting	Smoothing of planned trading income	213		
		Total Bids from existing LGSS reserve (pre April 17)	**725**		

LGSS 2017-18 Carry Forward Requests				Appendix 2 (b)	
No	Service Description	Description of Bid	Cost £k	Summary of benefits	Financial Measurable Outcome

External Audit Plan 2016/17

LGSS

June 2017

Headlines

Financial statement audit

LGSS does not have a statutory responsibility to produce Financial Statements for the year ending 31 March 2017. Our Financial Statements audit is therefore being completed as a 'non-statutory' audit of a set of non-statutory Statement of Accounts, prepared under the CIPFA Code of Practise, agreed in our Engagement Letter with LGSS.

Materiality

Materiality for planning purposes has been based on the gross expenditure from the September 2016 outturn report and set at **£775,000.**

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£38,000.**

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

— Integration of Milton Keynes Council.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

— System change from Oracle to Agresso; and

— Disclosures associated with retrospective restatement of Comprehensive Income and Expenditure Statement ('CIES'), Expenditure and Funding Analysis ('EFA') and Movement in Reserves Statement ('MiRS').

Logistics

Our team remains unchanged from last year and consists of:

— Andrew Cardoza - Director

— Daniel Hayward – Senior Manager

— Harry Organ – Assistant Manager

— Laura Tilley – In Charge Auditor

More details are on **page 10.**

Our work will be completed in four phases from May 17 to November 17 and our key deliverables are this Audit Plan and a Report to Those Charged with Governance as outlined on **page 9.**

Our fee for the audit is **£22,450** (£34,703 in 2015/16, including £10,203 of additional audit work fees) see **page 8** for more details.

Introduction

Background and Statutory responsibilities

This document supplements our Engagement Letter, issued by ourselves to LGSS and signed on behalf of LGSS in April 2017. It describes how we will deliver our financial statements audit work for the LGSS Joint Committee (‘LGSS’). We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

The main purpose of our audit, which is carried out in accordance with International Standards on Auditing (ISAs) issued by the Auditing Practices Board, is to issue a report to LGSS that expresses our opinion on whether the financial statements give a true and fair view and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

Financial statements audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.

Financial statements audit planning → Control evaluation → Substantive procedures → Completion

Financial statements audit planning

Financial Statements Audit Planning

Our planning work takes place in May and June 2017. Our planning work involves the following key aspects:

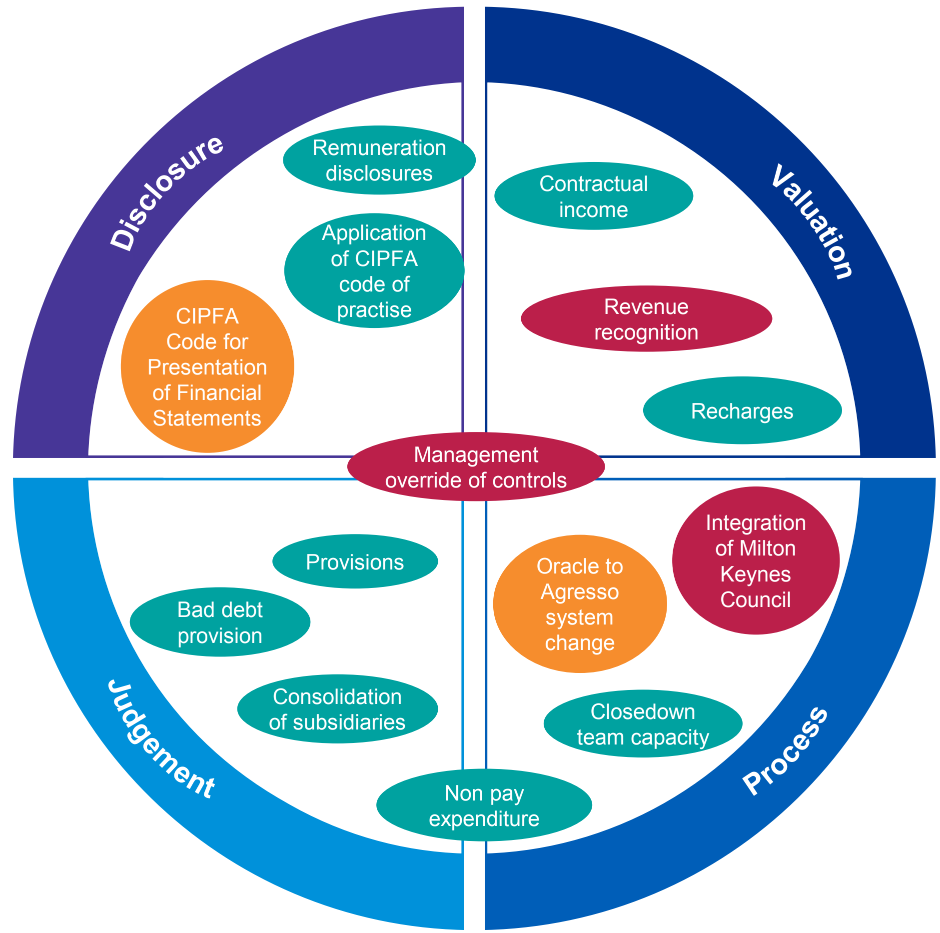
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for LGSS (and its constituent local authorities) as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Key: ● Significant risk ● Other area of audit focus ● Other areas considered by our approach

Financial statements audit planning (cont.)

Significant Audit Risks
Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error

Risk: Incorporation of Milton Keynes Council

From 1st April 2016 Milton Keynes Council was added as a third partner within LGSS and member of the LGSS Joint Committee. Milton Keynes Council will therefore provide additional budget to LGSS and these transactions will be recognised on the Milton Keynes Council general ledger.

Milton Keynes Council uses SAP for their general ledger, different to the Oracle general ledger system used by both Cambridgeshire County Council and Northamptonshire County Council. This will create a more complex accounts production process for LGSS that will need to incorporate all transactions completed on the Milton Keynes Council ledger. There is therefore a risk that LGSS is not set up correctly on the Milton Keynes Council ledger and LGSS transactions for inclusion in the accounts are not complete or include transactions that do not relate to LGSS.

Approach:

As part of our audit:

- We will hold discussions with key officers to understand the approach to integrating LGSS into the Milton Keynes Council general ledger in order to recognise transactions applicable to LGSS;
- We will review the Closedown team's process for incorporating the Milton Keynes Council ledger in the financial statements production process; and
- We will undertake additional substantive testing on LGSS transactions recognised in the Milton Keynes Council ledger to verify they are appropriate LGSS transactions.

Financial statements audit planning (cont.)

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Disclosures associated with retrospective restatement of CIES, EFA and MiRS

During past years, CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The key objective of this project was to make Local Government accounts more understandable and transparent to the reader in terms of how the Councils are funded and how they use the funding to serve the local population. The outcome of this project resulted in two main changes in respect of the 2016-17 Local Government Accounting Code ('the Code') as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note.

As a result of these changes, retrospective restatement of CIES (cost of services), EFA and MiRS is required from 1 April 2016 in the Statement of Accounts.

New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable Accounting Standards.

Though less likely to give rise to a material error in the financial statements, this is an important material disclosure change in this year's accounts.

Approach:

As part of our audit:

- We will assess how LGSS has actioned the revised disclosure requirements for the CIES, MiRS and the new EFA statement as required by the Code; and
- We will check the restated numbers and associated disclosures for accuracy, correct presentation and compliance with applicable Accounting Standards and Code guidance.

System change from Oracle to Agresso

From 1 September 2017 LGSS will transfer its financial systems from Oracle to Agresso. Although this is happening during the 2017/18 financial year the preparation and project management occurs in 2016/17 and therefore we have identified this as an area of audit focus for 2016/17. This will focus on the governance and controls over the migration process that will then impact our 2017/18 audit opinion.

Approach:

We will review the governance, project management and delivery arrangements that LGSS has in place over the system transfer. We will use this to inform our testing of the completeness and accuracy of the general ledger transfer to Agresso for 2017/18.

Due to the nature of this project Internal Audit have been significantly involved therefore we will work with Internal Audit to understand the work they have performed and utilise that where appropriate for our external audit.

Financial statements audit planning (cont.)

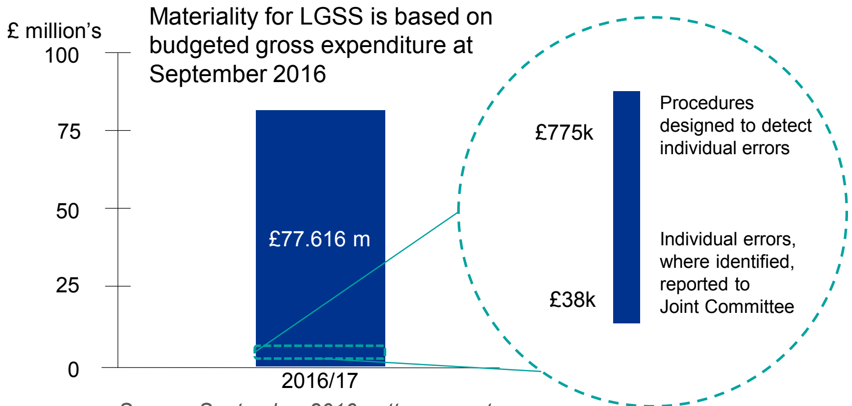
Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgment to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £775,000 which equates to just below 1% percent of the gross expenditure budget.

We design our procedures to detect errors in specific accounts at a lower level of precision.



Source: September 2016 outturn report

Reporting to the Joint Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Joint Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260 (UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of LGSS, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £38,000.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Joint Committee to assist it in fulfilling its governance responsibilities.

Other matters

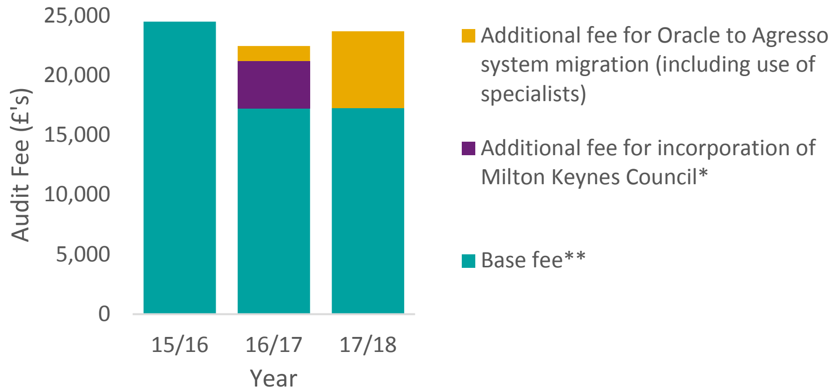
Our audit team

Our audit team will continue to be led by Andrew Cardoza. Andrew will be supported by Daniel Hayward, Harry Organ and Laura Tilley providing continuity and consistency. Appendix 2 provides more details on specific roles and contact details of the team.

Audit fee

Our Engagement Letter 2016/17 issued to you in April 2017 first set out our fees of £22,450 for the 2016/2017 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

We recognise the LGSS continue to improve their accounts production process compared to previous years. This is reflected in a reduction in our base audit fee for 2016/17. We anticipate maintaining our base fee in 2017/18 subject to the successful inclusion of Milton Keynes Council in the accounts production process.



* The Milton Keynes District Council fee is based on full provision of PBC items and appropriate supporting records

** Our base fee is reduced for 2016/17 and 2017/18 due to efficiencies

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the Finance team and the Joint Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Appendix 1: Key elements of our financial statements audit approach

Communication

Continuous communication involving regular meetings between Joint Committee, Senior Management and audit team

Jun	Jun	Aug	Oct
Audit strategy and plan (Joint Committee)	Draft PBC shared	Year end audit of financial statements	ISA 260 (UK&I) Report

May — Jun — Jul — Aug — Sep — Oct

Audit workflow

May	Aug	Oct
Initial planning meetings and risk assessment	Draft Accounts prepared by management	Sign audit opinion

Planning

— Perform risk assessment procedures and identify risks.

— Determine audit strategy.

— Determine planned audit approach.

Control evaluation

— Understand accounting and reporting activities.

— Evaluate design and implementation of selected controls.

— Test operating effectiveness of selected controls.

— Assess control risk and risk of the accounts being misstated.

Substantive testing

— Plan substantive procedures.

— Perform substantive procedures.

— Consider if audit evidence is sufficient and appropriate.

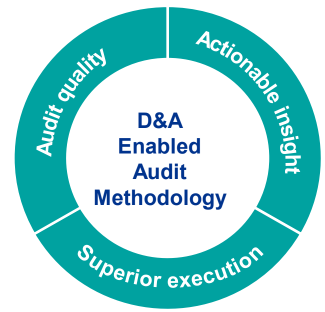
Completion

— Perform completion procedures.

— Perform overall evaluation.

— Form an audit opinion.

— Joint Committee reporting.



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

— Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.

— Focus manual procedures on key areas of risk and on transactional exceptions.

— Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Appendix 2: Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our senior audit team has remained the same as last year, with some changes to the onsite delivery team in 2016/17.

Name	**Andy Cardoza**
Position	Director
	'My role is to lead our team and ensure the delivery of a high quality, value added external audit opinion. I will be the main point of contact for the Joint Committee and Managing Director.'

Andy Cardoza
Director
andrew.cardoza@kpmg.co.uk
+44 77 1186 9957

Name	**Daniel Hayward**
Position	Senior Manager
	'I am responsible for the management, review and delivery of the audit of LGSS. I will liaise with the Managing Director and Director of Finance'

Daniel Hayward
Manager
daniel.hayward@kpmg.co.uk
+44 77 7610 1412

Name	**Harry Organ**
Position	Assistant Manager
	'I will provide quality assurance for the audit work and lead the delivery of our work. I will work closely with Andrew and Dan to ensure we add value.'

Harry Organ
Assistant Manager
harry.organ@kpmg.co.uk
+44 74 6836 9664

Name	**Laura Tilley**
Position	In-Charge Auditor
	'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Laura Tilley
In-Charge Auditor
laura.tilley@kpmg.co.uk
+44 78 2688 4722

Appendix 3: Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Joint Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

KPMG is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG Partners and staff annually confirm their compliance with our ethics and independence manual, including in particular that they have no prohibited shareholdings. Our ethics and independence manual is fully consistent with the professional practice rules of the APB Ethical Standards by whom we are regulated for audit purposes. In addition, we have underlying safeguards in place to maintain independence through:

- Instilling professional values;
- Communications;
- Internal accountability;
- Risk management;
- Independent reviews.

Further safeguards include regular review of the composition of the audit team including rotation in accordance with the relevant regulations. Any significant new engagement undertaken for the company is subject to acceptance procedures, requiring consultation with Andrew Cardoza and compliance with the company's non-audit services policies.

We also consider the fees paid to us by LGSS and its related entities for professional services provided by us. We will report on our fees for the period ending 31 March 2017 at the relevant Joint Committee meeting.

Confirmation statement

We confirm that as of June 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

kpmg.com/uk

Agenda Item No: 5

LGSS Statement of Accounts Update

To: LGSS Joint Committee

Date: 1st June 2017

From: LGSS Finance

Purpose: To update the Joint Committee on the progress of the 2016-17 LGSS Statement of Accounts

Recommendation: That the Joint Committee note and comment on the report.

1. Background

1.1 Each year LGSS produces an Annual Report, which includes the Statement of Accounts (the LGSS accounts). The LGSS accounts are prepared in addition to the statutory accounts of each partner authority and encompass LGSS income and expenditure from within each of the partner authorities. Whilst the single entity accounts of the three partner local authorities include only the proportion of LGSS attributable to each authority, the LGSS accounts show the combined position across all LGSS operations but excluding the managed budgets that LGSS manages on behalf of the host authorities.

1.2 In practice, this means taking transaction level detail for each partner authority and consolidating the information to produce the core financial statements included within the LGSS accounts. This provides a clear trail of the transactional data from the partner authorites general ledgers to the final LGSS accounts that are produced.

1.3 To ensure completeness of the LGSS Accounts, the proportion of assets and liabilities relating to LGSS Trading activity held within each authorities accounts are identified, and totalled. Examples of this include invoices raised on behalf of LGSS not yet paid by customers, the net cash balance held by each partner authority, as well as any LGSS specific provisions or reserves that are held within the partner authorities balance sheet. This also includes the associated year end VAT liability or asset incurred by the partner authorities relating to VATable income received and VATable expenditure which is the result of LGSS trading activity.

1.4 From 1 April 2015, the implementation of the Local Audit and Accountability Act 2014 has meant that joint committees (such as the arrangement under which LGSS operates) are no longer required to have their accounts separately prepared and audited. Consequently, from the 2015-16 financial year 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.

1.5 KPMG have been appointed to audit the accounts of LGSS.

1.6 The LGSS accounts are being produced to the timetable set out below:

Draft accounts prepared	**31st July 2017**
Audit of the accounts to start	**End of August 2017**
Completion of audit	**Mid September 2017**
Final Accounts completed and Joint Committee sign off	**28th September 2017**

2. Key Changes from Last Year

2.1 The 2016-17 LGSS Accounts cover the financial year to 31st March 2017, and for the first time include Milton Keynes Council which became an LGSS partner authority on 1st April 2016. This means that the consolidation of data will now come from three partner authorities instead of just the two founding partners as has been the case in previous years. This does therefore add further work and complexity to the preparation of the accounts for 2016-17.

2.2 The LGSS Accounts are prepared using the CIPFA Accounting Code of Practice (the Code), which is updated annually. The most significant change to the Code that is being introduced in the 2016-17 is to the presentation of the Comprehensive Income and Expenditure Statement (CIES).

2.3 The CIES shows revenue expenditure and income for the year, in line with proper accounting practice. In previous years, the Net of Cost of Services within the CIES was broken down into specific service headings (referred to as SeRCOP headings as required by the Code). This was to ensure that all authorities presented their statements in the same way, and to allow comparability between authorities. Whilst this allowed comparability from one authority to another it meant that the link between the financial reporting of the LGSS management accounts and the statutory accounts was difficult to follow, because the financial reporting of the management accounts follows the internal reporting structure whilst the accounts are set out based on the SeRCOP headings. Therefore there has been no direct comparison between the two.

2.4 The change to the Code for 2016-17 allows LGSS to display the Net Cost of Services within the CIES based upon its internal reporting structure rather than using SeRCOP headings. This means that the link between the financial reporting of the management accounts and the final accounts will be clearer to users of the accounts.

3. LGSS Law Accounts

3.1 The 2016-17 LGSS Law accounts were the first set of accounts produced for LGSS Law. At the end of the first year of trading, LGSS Law added Central Bedfordshire Council (CBC) as a third shareholder, expanding the number of fee earners within LGSS Law. Therefore whilst both LGSS and LGSS Law currently have three shareholders, their shareholder bases have diverged and as a consequence LGSS and LGSS Law Ltd have developed different governance arrangements.

3.2 Since LGSS Law was spun out of the LGSS brand, it has been owned by Northamptonshire County Council and Cambridgeshire County Council and not LGSS. The ownership now goes three ways with the addition of Central Bedfordshire Council.

3.3 Some commonality will continue to exist (such as the reporting of the financial statements of LGSS Law to the LGSS Joint Committee), however it has been assessed that it is no longer appropriate to incorporate the LGSS Law accounts into the LGSS financial statements as a result of the current partner arrangement. The LGSS and LGSS Law accounts will be produced and reported separately for 2016-17 and subsequent years.

4. 2015-16 ISA260 Recommendations and Progress

4.1 As part of KPMG's role in issuing an opinion on the 2015-16 LGSS accounts the auditors produced a report "to those charged with governance" on the Statement of Accounts. This report is referred to as the ISA260 report and the comments, recommendation and progress for each item are summarised below:

Issue	**LGSS Financial Systems**
Recommendation	As LGSS continues to grow, bringing in Milton Keynes following the year end, it is now time to critically consider the financial systems and processes used by LGSS and implement a structure and/or system and processes that are more appropriate to the nature and size of the organisation. This will help to improve the controls in operation, accuracy of data, efficiency of the closedown process and ultimately reduce costs to the organisation of time required to prepare the accounts.
Original Response	LGSS recognises that its accounting structure has become increasingly complex as it has expanded in recent years. LGSS will review its accounting structure and will explore the feasibility of setting up its own standalone General Ledger, in order to separate out its transactions from those of the councils. The overarching aim of LGSS when producing accounts is to make them as easy to read and understandable to the reader as possible. LGSS is committed to delivering this, and will continue to utilise the interim audit in order to run through proposed methodology with the external auditors and to work towards implementing changes to make the audit process smoother. LGSS will also explore the possibility of other potential changes to systems/processes, such as reviewing the feasibility of setting up its own bank account.
Updated Position	An initial briefing note has been prepared on the subject of LGSS having it's own bank account at the request of the LGSS Joint Overview and Scrutiny Working Group. This briefing note is provided at **Appendix 1** for information only, Joint Committee members should note that this is an initial exploration of the possibility of LGSS having it's own bank account. As the briefing note identifies there is more work to be done to consider all alternative options due to the complexity and implication on all systems and interfaces, within the context of the ERP Gold solution. Once all options have been explored further update papers will be prepared for discussion.

Issue	Quality of Prepared by Client working papers and responses to audit queries
Recommendation	LGSS should review its closedown process for 2016/17 and carefully consider any stretch targets for completion of working papers. LGSS should review the capacity on the Closedown Team to meet such targets, taking into consideration the Finance Team's workload also.
Original Response	The preparation of the 2015-16 accounts has been the first year that LGSS has utilised an Integrated Closedown Team. This team has prepared the accounts for LGSS, NCC and CCC. Producing these accounts and managing the subsequent audits simultaneously across the organisations has been challenging. LGSS will undertake a full debrief following the conclusion of the 2015-16 audit, looking at lessons learned and continuing to implement improvements for the future. A restructure of the Finance directorate has just been completed. This has included further strengthening of the Closedown function, and due consideration has been given to ensure that the team is appropriately resourced. Consideration will be given to the scheduling of the accounts production process, and of the audit fieldwork, when compiling the 2016-17 Closedown timetable to ensure that adequate resources are available to fulfil the required tasks.
Updated Position	The Finance team have undertaken a full debrief with KPMG following the conclusion of the 2015-16 audit. Several improvements in processes and procedures have been identified as part of the debrief, such as working with colleagues from across the organisation to identify named contacts for the auditors in key areas of the business, such as Payroll, Accounts Payable and Accounts Receivable. This should enable any queries that arise during this year's audit to be answered promptly. The scheduling of the LGSS accounts production, audit and sign off has been considered in the context of the resources available within the Integrated Closedown team and the need to deliver the statutory accounts for the partner authorities. The agreed timetable is set out at paragraph 1.6.

Issue	Compliance with the CIPFA code requirements
Recommendation	LGSS should ensure that it continues to comply with the accounting requirements of the Code and ensure that any changes to the requirements are reflected in future LGSS financial statements.
Original Response	LGSS will continue to use the CIPFA Code of Practice as the basis of preparation for its Statement of Accounts in order to allow comparability with the accounts of the councils, which are prepared on that basis. In preparing its accounts LGSS has sought to balance the requirements of the Code with the desire to make the accounts understandable to the reader. On occasions this has required judgements to be made on the way to present particular items. For example, as LGSS's operations are considered to be trading income/expenditure the Code requires that they be presented as Financing and Investment income/expenditure on the face of the Income and Expenditure Statement. This does not provide the reader of the accounts with a breakdown of these figures by Directorate heading, so this has been shown in an additional table within the accounts. As 2015-16 has been the first year that LGSS Law has been trading it has been the first year that group accounts have been prepared. Upon preparation of the draft accounts judgements were made regarding the disclosures that would be required in respect of the consolidated LGSS Law statements. Following discussion with the auditors during the course of the audit it was agreed that some additional disclosures would be required. These have been included in the final set of accounts. For example disclosures have been added in respect of the defined benefit pension scheme. For the preparation of the 2016-17 accounts Officers will discuss any potential changes in presentation with the auditors at an early stage in the preparation process, in order to minimise changes required during the audit.
Updated Position	The LGSS statement of accounts will be produced based on the accounting requirements outlined within the Code as in previous years. Also as outlined in Sections 2 and 3 of this report aspects of the LGSS accounts have been reviewed and will be changed for 2016-17. These changes are in line with the Code and are being discussed with the auditors.

Issue	Journal entries
Recommendation	LGSS should consider exploring available options to improve its journal controls including how the system can be utilised to support improved: • segregation of duties regarding the authorising, posting, reviewing and reconciling of journal entries; • access rights controlling who is authorised to record and approve journal entries along with the posting and authorisation limit; and • oversight of the journal entry-posting process by members of management including post-entry review based on a defined risk based approach.
Original Response	Journals can only be posted by staff with the appropriate responsibilities and sufficient professional knowledge. These staff are predominantly within the Finance, Pensions and Transactions teams. This functionality is not generally given to staff in the wider organisation. A validation process is undertaken prior to each journal being loaded. This checks that the template has been completed correctly and that the required information has been provided.Whilst there is no explicit approval at the point of entry, there are procedures in place to identify miss-postings retrospectively. Budget managers review the transactions posted against their budget groups as part of the monthly budget monitoring process. Finance Business Partner teams also scrutinise transactions and balances as part of this process. LGSS is currently in the process of implementing the ERP Gold system. Consideration will be given to ensure that an appropriate journal entry process is instigated in the new system.
Updated Position	On behalf of its partner authorities, LGSS is in the process of implementing its new ERP Gold system. Journal procedures will not be changed on the existing system due to the limited time available before the implementation of the ERP Gold system. However due consideration is being given to the journal procedures implemented as part of the ERP Gold build to ensure that they are robust and appropriate.

5. Recommendations

5.1 There are no specific recommendations arising from this report other than for the Joint Committee to note and comment on the content of the report.

LGSS Law Limited

Client Audit Plan

Year ended 31 March 2017

Prepared by

Ensors Accountants LLP
Warwick House
Ermine Business Park
Spitfire Close
Huntingdon
PE29 6XY

Tel: 01480 417800
E-mail: mail@ensors.co.uk

Making you more than just a number

Contents

1 Introduction

Scope

The scope of our engagement is to form and express an audit opinion on the financial statements that have been prepared by management with the oversight of those charged with governance in respect of LGSS Law Limited for the year ended 31 March 2017 in accordance with the Companies Act 2006.

Our audit will be conducted in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board and is subject to the engagement letter signed by Ensors and the directors. A draft of our audit report is set out in Appendix 1.

Under the Companies Act 2006, those charged with governance are responsible for the preparation of the financial statements. Our audit does not relieve management or those charged with governance of this responsibility.

Audit objectives

Our audit objectives are set out in the Companies Act 2006. They are:

- to express an opinion as to the truth and fairness of the accounts of the company for the year then ended;
- to form an opinion as to whether or not the accounts have been properly prepared in accordance with International Financial Reporting Standards – EU adopted; and
- to form an opinion as to whether or not the accounts have been prepared in accordance with the Companies Act 2006.

We are also required to form an opinion as to whether or not the information given in the Directors' Report is consistent with the financial statements.

There are a number of matters which we are required to report on by exception. These are our opinion as to whether:

- proper accounting records have not been kept, or returns adequate for our audit have not been received from branches (where applicable) not visited by us;
- the financial statements are not in agreement with the accounting records or returns;
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Audit approach and significant accounting and audit issues

We set out in Section 2 our audit approach and the key accounting and audit issues, based on our audit planning procedures, that we consider have a bearing on this year's audit.

These are:

- Revenue recognition
- Management override

International Financial Reporting Standards ("IFRSs") and related interpretations as adopted by the European Union

This IFRS aims to provide entities with succinct financial reporting requirements. The requirements in this IFRS follow the International Accounting Standards Board's (IASB) International Financial Reporting and related interpretations as adopted by the European Union. The IFRS is intended to apply to the general purpose financial statements of, and other financial reporting by, entities that in many countries are referred to by a variety of terms including 'small and medium-sized', 'private' and 'non-publicly accountable'.

IFRS is designed to apply to the general purpose financial statements and financial reporting of entities including those that are not constituted as companies and those that are not profit-oriented. General purpose financial statements are intended to focus on the common information needs of a wide range of users; shareholders, lenders, other payables, employees and members of the public, for example.

The IFRS requires an entity to disclose, in a complete set of financial statements, comparative information in respect of the preceding period for all amounts presented in the financial statements, as well as specified comparative narrative and descriptive information. An entity may present comparative information in respect of more than one preceding period.
We will discuss with you in more detail during the audit planning process the impact of adopting this standard and the work required to identify, evaluate and compile the necessary adjustments to your entity's results and disclosures.

Auditor independence

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that there are no relationships between us and any of our related or subsidiary companies and you and your related entities creating an actual or perceived threat to our independence within the regulatory or professional requirements governing us as your auditors. In considering our independence we consider Jerry Wright to be informed management.

We provide the following non-audit services to the company:

- Accounts preparation: There is a perceived risk of self review and of Ensors taking management decisions. However, the preparation of the statutory accounts consists entirely of mechanical accounting processes. We use information provided by you in the form of a balanced trial balance to prepare the accounts that include the necessary disclosures required by the Companies Act and relevant accounting standards. In the preparation of these accounts, no decisions are taken without management approval.

- Corporation tax compliance: There is a perceived risk of self review as well as a risk of Ensors taking management decisions when we prepare tax computations. To safeguard our independence the corporation tax compliance work is reviewed by our separate corporate tax team whom are not involved in the statutory audit work and whom do not report to the audit partner. No decisions are taken without prior management approval.

- SRA accounts rules compliance: There is a perceived risk of self review. To safeguard our independence the SRA/client account compliance work is reviewed by an Independent Partner whom is not involved in the statutory audit work. No decisions are taken without prior management approval.

Materiality

We will present a summary of any uncorrected misstatements at the conclusion of the audit. Further detail of how materiality is determined is given in section 3.

Fees

Our proposed audit fee for this year is £15,000 (excluding VAT and disbursements) as agreed previously.

Deliverables

In Appendix 2, we attach a schedule of deliverables that we require arranging prior to commencing our audit in order to be able to conduct it in a timely and efficient manner.

2 Audit approach

Overview

Our audit will be conducted in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board.

Our audit approach is risk focussed and will be tailored to your specific needs depending on the operational, regulatory and financial risks that you face. The audit is supported by our integrated audit software toolkit.

Our audit will include such tests of transactions and of the existence, ownership and valuation of assets and liabilities as we consider necessary. We shall expect to obtain appropriate evidence that we consider sufficient and appropriate to enable us to draw reasonable conclusions therefrom.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view.

The full details on the nature and scope of the audit, and our respective responsibilities can be found in the engagement letter in place between us.

Assessment of and reliance on internal controls

As part of our audit we consider the company's internal controls and assess the extent to which we can place reliance on these controls. This in turn helps determine the nature, extent and timing of our audit procedures. We will report any significant findings to you in our final management report. It should be noted though, that our audit is not designed to provide assurance as to the overall effectiveness of the company's internal controls.

Based on the company's size, we have determined that a wholly substantive audit approach is the most efficient and effective way to obtain the necessary assurance for the purpose of our audit.

Significant accounting and audit issues

As a result of our planning procedures, we have identified the following significant accounting and audit issues which we will specifically obtain assurance on during the course of our audit:

- Revenue recognition – Completeness of revenue is considered to be a key risk. Our audit work will be designed to check that income is appropriately recognised in the accounts.

- Management override – This is also considered to be a significant risk. Our audit work will cover reviewing all significant transactions to ensure that they properly reflect the position.

.

3 Materiality

Concept and definition

The auditor's determination of materiality is a matter of professional judgment, and is affected by the auditor's perception of the financial information needs of users of the financial statements. In this context, it is reasonable for the auditor to assume that users:

- Have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment and the consideration of future events; and
- Make reasonable economic decisions on the basis of the information in the financial statements.

The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

In planning the audit, the auditor makes judgments about the size of misstatements that will be considered material. These judgments provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing and extent of further audit procedures.

The materiality determined when planning the audit does not necessarily establish an amount below which uncorrected misstatements, individually or in aggregate, will always be evaluated as immaterial. The circumstances related to some misstatements may cause the auditor to evaluate them as material even if they are below materiality.

Although it is not practicable to design audit procedures to detect misstatements that could be material solely because of their nature, the auditor considers not only the size but also the nature of uncorrected misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements.

Unadjusted errors

In accordance with auditing standards, we will communicate to the directors all unadjusted items identified during our audit, other than those which we believe are "clearly trivial".

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than materiality determined in accordance with ISA (UK and Ireland) 320, and will be matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances.

We have assessed a clearly trivial limit of £3,000. We will report any errors in excess of this threshold.

We will obtain written representations from the board of directors confirming that, after considering all these unadjusted items, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

There are a number of areas where we would request any misstatements identified during the audit process to be adjusted. These include:

- misstatements that we believe were intentionally made to achieve targeted earnings or similar goals;
- clear cut errors whose correction would cause non-compliance with loan covenants, management compensation agreements, other contractual obligations or governmental regulations that we consider are significant; and
- other misstatements that we believe are material or clearly wrong.

4 Timetable

Below we set out the timetable for this year's audit:

Event	Timing
Audit planning	March 2017
Audit fieldwork commences	15th May 2017
Tax computation and review of tax	June 2017
Partner review	June 2017
Completion activities including feedback to management	June 2017
Sign financial statements	July 2017

5 Client service team

Name	Role	Telephone	e-mail
Barry Gostling	Audit partner	01473-220022	barry.gostling@ensors.co.uk
Henry Wood	Tax manager	01284-722300	henry.wood@ensors.co.uk
Keith Lapham	Audit manager	01223-420721	keith.lapham@ensors.co,uk
Adrian Piddington	Audit senior	01480-417800	adrian.piddington@ensors.co.uk
Sarah Rehman	Audit assistant	01480-417800	sarah.rehman@ensors.co.uk

Appendix 1: Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LGSS LAW LIMITED

We have audited the financial statements of LGSS Law Limited for the year ended 31 March 2017 set out on pages X to X. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Appendix 2: Deliverables

You have undertaken to provide us with an audit work papers file. Ideally it will include the following contents:

Audit area		Contents for you to provide	Date delivered
N	Primary statements, TB and journals	Trial balance for the company and full detailed nominal ledger in pdf or hard copy format	
		Wi-fi access/Access to nominal ledger and all financial ledgers during the audit fieldwork attendance (minimum 2 temporary access licences required)	
		Management accounts/Board reporting packs for the year to 31 March 2017	
		Draft accounts prepared by Finance Director (if any)	
		Draft strategic report and KPI information for inclusion in the accounts	
		Wi-fi access/Access to electronic journal files or, alternatively, access to hard copy journal files for the year under review	
		Opening balance adjustment journal from previous auditors	
B	Fraud	Answers to client audit plan (CAP) questions – see Appendix 3 of CAP supplied herewith	
A	Going concern	Cash flow and profit forecast for 12 months from anticipated date of accounts approval (per timetable in this CAP will be at least until July 2018).	
		Budget for next financial year and future projected periods (if available)	
		Management accounts post year end to date	
D	Related parties	Schedule of all transactions with related parties to facilitate the completion of required note to the accounts.	
		Completed related party declarations from Directors and key management	
		Written confirmations from group undertakings about amounts transacted between them and LGSS In the year, together with amounts owed from/to LGSS at 31.03.17.	
J	Laws and regulations	Copies of any correspondence with regulatory bodies e.g. HM Revenue and Customs, together with any assessments raised.	
		Details of any actual or pending legal claims against the entity or other regulatory reporting that may impact disclosure in the accounts	
		No pending health or safety issues. Please advise current post holders and training certification in respect of first aiders and fire safety officers within the company .	
		Please let us have a copy of the company's current ICO data protection registration (if applicable).	

		Confirmation that Lexcel accreditation remains in place for the company and that there were no issues to highlight from this or inspections, that may directly/indirectly impact upon statutory accounts presentation or disclosure.	
L	Statutory records	Copies of all Board minutes and annual returns retained for the year under review and since year end to date.	
		Access to Statutory registers for the company.	
K	Contingencies and commitments	Schedule of relevant items with supporting documentation	
		Schedule of operating lease commitments payable next year with lease expiry date, analysed between: • Land and buildings; and • Other	
		Hard copy or pdf copies of supporting leases	
		Copy of the DPS contract/commitment (we understand is not presently capitalised or included in accounts for y/e 31.03.17 at all).	
H	Sales and other income	Monthly summaries of invoices/fee notes raised (bills delivered report)	
		Chargeable hours summary for the year and / or supporting time records access to allow for follow through to invoicing and nominal ledger entry (sales completeness and WIP review)	
		A geographic analysis of fee income, split between UK, EU and rest of world.	
		An analysis of interest received on pension fund assets and other interest.	
		Schedule of work in progress for fixed price projects showing method of calculation for accrued or deferred income	
J	Purchases and other payments	An analysis of legal and professional fees together with copies of invoices	
		An analysis of computer consumables and software licences	
		An analysis of sundry items	
		An analysis of vehicle leasing (if any)	
		Details of entertaining and sponsorship (analysis).	
		Details of any donations (charitable or otherwise)	
M	Wages and employees	Monthly analysis of gross pay, employer's NIC, employees' NIC, overtime, pensions and net pay. Analysis to be provided so we are able to split between Wages and Salaries Gross cost, Social Security Costs and Expenses related to retirement benefit/pension plans in note to the accounts.	
		Reconciliation of analysis to the salary costs shown in the accounts.	
		Summary of average number of employees, with analysis to be split between Directors, fee earning staff and others.	

		Details/analysis of directors' emoluments, including copies of directors' P11Ds for BIK assessment.	
		Copies of any HMRC PAYE/NIC inspection notices received in the year and subsequent assessments raised (if any).	
		The amount of accrued pension for the highest paid Director and his accrued lump sum.	
		Confirmation that retirement benefits are accruing to just one Director under the defined benefits scheme (no change from previous year).	
		Details of expenses paid to Directors (where no remuneration paid or paid in addition to remuneration).	
		Year end valuation / disclosure reports from each of the actuaries for the Local Government Pension Schemes in which the company participates	
E	Fixed assets	Fixed asset register/listing with reconciliation to nominal ledger.	
		Analysis of cost, additions, disposals, depreciation and NBV for note to accounts.	
		Schedule of additions with documentary evidence (e.g. invoice) for items capitalised over £1,000.	
		Analysis of disposals, sales proceeds, and NBV to give profit or loss on disposal.	
		Details of any impairment in value or review of idle assets.	
		Details of any assets held under finance leases confirming date of purchase, cost, accumulated deprecation and NBV at year end.	
		Analysis of repairs and maintenance account for the year.	
		Access to general insurance documents covering assets - as well as key personnel, public liability and professional indemnity insurance (we are interested in the level of protection/indemnity covered).	
H	Debtors	Aged debtor listing as at year end	
		Schedule of cash received after date (to date) against year end debtors	
		Schedule of debts written off during the year and bad debt provision as at year end.	
		Analysis of other debtors at year end.	
		Schedule of prepayments and accrued income together with supporting calculations and invoices.	
I	Cash and bank	List of bank accounts and where existing showing overdrafts separately, unless a right of set-off exists.	
		Year end bank reconciliation for each bank account (client and office account).	

		Access to available post year end bank statements to check clearance of reconciling items and ensure no undue delay in clearance, i.e. reconciliations contain only genuine items.	
		Details of any new loans or credit agreements entered into during the year (and in the period to date since year end).	
		Copy of latest bank mandate detailing authorised account signatories and credit limits for both general and e-banking facilities.	
J	Creditors and provisions	Listing of trade creditors as at year end together with balances of high turnover creditors (highest purchase ledger turnover) confirmed. Alternatively, copy supplier statements provided to enable reconciliation. Failing statements being available or retained then access to pre and post y/e invoices and payment records will be required.	
		Schedule of accruals and deferred income at year end and supporting schedules to substantiate	
		Schedule of other creditors at year end, together with supporting schedules to substantiate	
		Supporting papers for all tax creditors, VAT, social security and payroll taxes at year end	
L	Share capital	Summary of any movements in share capital with details of transfers or new issues up to year end	
		Summary of share options issued and lapsed during the year together with details of share options (if any) outstanding at the year end	
O	VAT and taxation	VAT liability reconciliation - account to tie in with year end	
		Reconciliation of turnover per the accounts with the turnover per the VAT returns and explanations of any differences arising	
		Copies of VAT returns for the year and any penalties/assessments raised	
		Copies of any HMRCVAT inspection notices received in the year and subsequent assessments raised (if any).	
A	Post balance sheet events	Details of any adjusting or non adjusting events post year end.	

Appendix 3: Questionnaire

To help us with our planning we would be grateful if you could answer the following questions:

1. Do you carry out a risk assessment for the business?

2. Have there been any instances of fraud during the year?

3. Do you consider the risk of fraud to be significant and have you put processes in place to identify such risks?

4. Have any service organisations that work for you, reported any instances of fraud or non-compliance with laws and regulations.

5. Have you had any regulatory visits that we have not been made aware of?

6. Have there been any breaches of any laws and regulations that the group is required to comply with?

7. Is there any new legislation that you are aware of that could have an impact on the disclosures that we make in your accounts?

8. How do you identify related parties? i.e. a person or entity that you trade with that could have control or significant influence over LGSS Law Limited.

9. The directors are required to make a suitable assessment of whether the company is a going concern when preparing year end accounts. They need to prepare such forecasts to demonstrate that the company can continue to trade as a going concern for a period of not less than 12 months from the date of approval of the accounts.

We would be grateful if you could provide us with suitable evidence as to going concern by the time that we come to sign the audit report.

Agenda Item No: 7

LGSS LAW LTD Law Ltd Statement of Accounts Update

To: LGSS Law Ltd Joint Committee

Date: 1st June 2017

From: LGSS Law Ltd

Purpose: To update the Joint Committee on the progress of the 2016-17 LGSS Law Ltd Statement of Accounts

Recommendation: That the Joint Committee note and comment on the report.

1. Background

1.1 Each year LGSS Law Ltd is required to produce an Annual Report which includes a set of Financial Statements. The statements are prepared in accordance with Financial Reporting Standard (FRS) 102 and contain a full set of Accounts, and summary reports of the pension fund assets and liabilities at the year end.

1.2 The company has a considerable level of transactions relating to all its shareholders and also to LGSS. In order for the shareholders to close their accounts these transactions and the closing balances relating to these transactions have to be agreed between all parties.

1.3 Ensors have been appointed to audit the accounts of LGSS Law Ltd.

1.4 The LGSS Law Ltd accounts are being produced to the timetable set out below:

Draft accounts prepared	**15th May 2017**
Audit Fieldwork to start	**15th May 2017**
Tax computation & Review	**June 2017**
Ensors Partner Review	**June 2017**
Completion of audit including review of feedback	**End June 2017**
Final Accounts completed & sign off	**26th July 2017**
LGSS Law Ltd AGM	**27th July 2017**

Key Changes from Last Year

1.5 The 2016-17 LGSS Law Ltd Accounts cover the financial year to 31st March 2017, and for the first time include Central Bedfordshire Council, which became a shareholder of the company on 1st April 2016.

1.6 The LGSS Law Ltd Accounts are prepared using the Financial Reporting Standard (FRS) 102 and there are no significant changes to the standard for this year end.

2. Recommendations & Progress

2.1 As part of KPMG's role in issuing an opinion on the 2015-16 LGSS Law Ltd accounts the auditors produced a report on the Statement of Accounts. This report made comments and recommendations and progress for each item is summarised below:

Issue	**Financial reporting process**
Recommendations	The company should undertake a review of the financial reporting process for 2015-16 and incorporate lessons for the 2016-17 financial year.
Original response	A full review will be undertaken of the 2015-16 financial reporting process. The LGSS Law Practice Manager (Finance) will engage with the Head of Business Planning & Finance and the Integrated closedown team.
Updated position	This has been completed and the issues of last year have not been repeated.
Issue	**Tax Considerations for the company**
Recommendation	The company should ensure they regularly consider relevant tax risks to the company to ensure they continue to maintain compliance and have a supporting trail to support their decisions in case of HMRC investigation.
Original Response	Tax planning advice was taken and although there was no formal documentation, the risks were considered and mitigation put in place. At the same time issues such as Tekal were considered. More formal tax planning will take place in future years as the company grows.
Issue	**Financial reporting process**
Recommendations	The company should undertake a review of the financial reporting process for 2015-16 and incorporate lessons for the 2016-17 financial year.
Original response	A full review will be undertaken of the 2015-16 financial reporting process. The LGSS Law Practice Manager (Finance) will engage with the Head of Business Planning & Finance and the Integrated closedown team.

Updated position	This has been completed and the issues of last year have not been repeated.
Issue	**Tax Considerations for the company**
Recommendation	The company should ensure they regularly consider relevant tax risks to the company to ensure they continue to maintain compliance and have a supporting trail to support their decisions in case of HMRC investigation.
Original Response	Tax planning advice was taken and although there was no formal documentation, the risks were considered and mitigation put in place. At the same time issues such as Tekal were considered. More formal tax planning will take place in future years as the company grows.
Updated Position	This is ongoing.
Issue	**Audit Working Papers**
Recommendation	The company should ensure that a second finance team member should review the working papers to ensure their accuracy and that they can be clearly followed to the financial system.
Original Response	The LGSS Law Practice Manager (Finance) will engage with the Head of Business Planning & Finance and the Integrated closedown team.
Updated Position	This has taken place and is ongoing.
Issue	**Accuracy of Payroll recognition**
Recommendation	The company should undertake a monthly reconciliation of the employee payroll data and the information journalled in to the ledger.
Original Response	The company has been working closely with the payroll department to increase the frequency and accuracy of the information provided and this work will continue.
Updated Position	The information flow is now frequent and accurate and posted regularly.
Issue	**Approval of Accounting Policies**
Recommendation	The Board should approve the company's accounting policies annually, including any changes made to the accounting policies or judgements.
Original Response	Agreed.
Updated Position	The Board approved the policies for 2016-17 year end on 8th

	March 2017.
Issue	**Services provided by shareholders**
Recommendation	The Company should put in place signed Service Level Agreements between the company and the authorities that states the level and quality of service expected and also the price to be paid by LGSS Law.
Original Response	The company has in place formal lease arrangements regarding its office space. The company also has a number of written SLA's in place for the provision of services by the owner authorities and these contain information regarding costs. LGSS Finance are working together to ensure that Service level agreements are in place in respect of all services.
Updated Position	A Service Level agreement is now in place

3 Recommendations

3.1 There are no specific recommendations arising from this report other than for the Joint Committee to note and comment on the content of the report.

Agenda Item No: 8

ERP Gold update

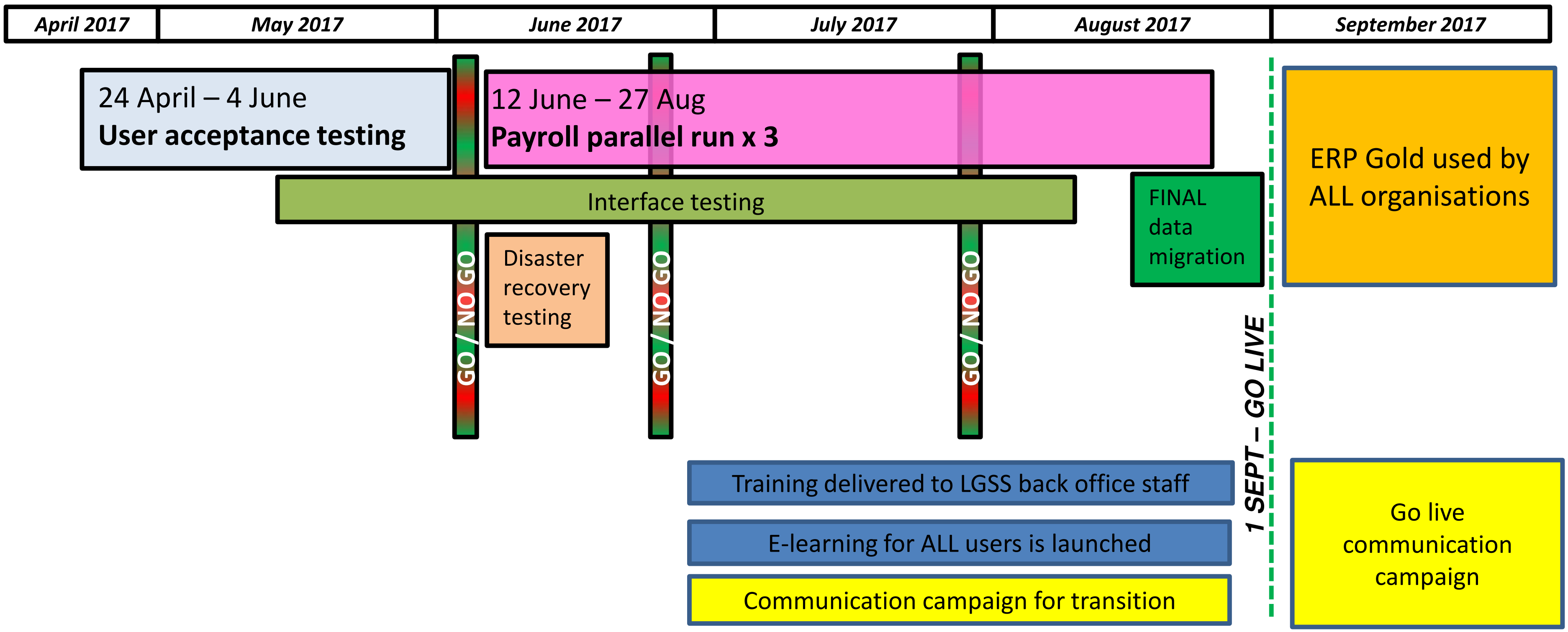
1st June 2017

LGSS Joint Committee

Headlines

- ERP Gold will go live September 2017, but this is not without risk
- Final phase of user acceptance testing began 24 April
- Priority interfaces have been specified and mapped in readiness for testing
- Operational procedures and communications are being defined to support the shift from legacy systems to ERP Gold
- Training for back office staff is scheduled
- The development of E-learning for end users has started
- ERP Gold Network have received the first e-learning module and a draft of an ERP Gold e-magazine and are providing feedback prior to wider release to the organisations

Timeline


April 2017
May 2017
June 2017
July 2017
August 2017
September 2017
24 April – 4 June
User acceptance testing
12 June – 27 Aug
Payroll parallel run x 3
Interface testing
FINAL data migration
ERP Gold used by ALL organisations
Disaster recovery testing
GO / NO GO
GO / NO GO
GO / NO GO
1 SEPT – GO LIVE
Training delivered to LGSS back office staff
E-learning for ALL users is launched
Communication campaign for transition
Go live communication campaign

Progress to date

- Standardised and streamlined business processes designed and agreed
- ERP Gold design principles agreed
- ERP Gold System for all business modules fully built
- MKC and schools data migrated and reconciled
- Data Migration for all other clients to complete w/c 22 May
- User acceptance testing commenced

User acceptance testing (UAT)

- Began 24 April for 6 weeks, progress is slow, but pace is expected to pick up
- One SAP client (i.e. MKC) and one Oracle client will be fully end to end tested – including interfaces
- Each variation in the system (i.e. where there is a tailoring for a specific client) will be tested within the specific client
- All access routes will be tested e.g. across all sites, remote access, using different devices and internet browsers
- Disaster recovery rehearsals are scheduled for June to ensure we have a resilient system
- Payrolls will be run during UAT, and be followed three by payroll parallel runs during June – August

Technical update

- Infrastructure has been created for the final environment (known as the production environment) in the West and East data centres across the LGSS Domain.
- By having it in both data centres, ERP Gold will be backed up in the event of a disaster / outage.
- System environments have been built – giving us system space to test, build fixes and develop training materials
- New citrix storefronts have been provided ensuring access is in place from CCC (East) and NCC/MKC (West) to the Production environment.
- The web client will be used by the majority of your staff and has been set up with to be accessed by single sign –no need for a new password

Interfaces update

The principle is that if there is an interface with your current ERP system, it will interface with ERP Gold. This includes:

CCC	MKC	NCC
• AFM (Swift) - care system • Nursery Education Grants Supports (NEGS) • Foster Care Payments • Unicorn – libraries • E-recruitment *We are working with the MOSIAC project time to implement interface in 17/18*	• Carefirst and OCC – care related income and payments • Carefree – payments to external home carers • Trojan – foster care payments • Northgate – council tax, rent, benefits • ICON – general income system	• Care First • Carecost – included borded out, direct payments • A4W – domiciliary and residential care • E-recruitment
Current spreadsheet uploads that are in place with E-Business / Oracle and SAP		

All priority interfaces will be tested during UAT.

BACKGROUND

A reminder

- ERP Gold is a shared service Finance and HR system
- It is designed around the principles of:

self service	**standardisation**
automation	**simplification**

- It will be shared by our core LGSS partners – all have committed to these principles

Functionality and features

System rationalisation

Systems being replaced with the move to ERP Gold	
CCC and NCC Group	**MKC and MKDP**
E-Business (Oracle)	ESS and MSS
Collaborative Planning	MDEFS
LGSS E-Forms (the portal used for forms mileage and expenses submissions, supplier and customer maintenance)	SAP ERP Business Objects
A number of forms on Lets go direct will move to ERP Gold inc HR forms	Information@work: vendor invoice repository

The transition from these systems will be clearly communicated and these plans are being defined now in readiness.

Communication campaign

- 350 people across all organisations form the ERP Gold Network
- They are receiving early communications messages, the first e-learning module to review and collating questions from their services
- Questions are being logged and the key themes reviewed so ensure they are included in the communication campaign
- Articles are being written to cover these, and published to an e-magazine
- E-magazine has been shared with ERP Gold Network members to gather their feedback. We will use this to revise the e-magazine before distributing to all organisations.
- There will be a full campaign to all staff July 2017 – including demos and support from LGSS colleagues
- Intranet pages will be updated for all three organisations

Learning to use ERP Gold

- E-learning modules are being developed
- These will be available at least 1 month prior to starting to use the process on ERP Gold
- Each takes a maximum of 15 minutes – with one taking only 3 minutes
- The end user will only complete the modules relevant to your job
- E-learning is available 24/7 and via any internet connection

Learning to use ERP Gold

The e-learning modules being developed are:

- Basic ERP Gold navigation
- Viewing updating personal data including viewing your payslips
- Inputting expenses / mileage claims
- Requesting annual leave and other absences
- Raising requisitions and good receipting
- Raising a sales order
- Entering sickness
- Managing your budgets using Budget Books
- Using Financial Management Centre

Agenda Item No: 9

LGSS Joint Overview & Scrutiny Working Group Report

To:	LGSS Joint Committee
From:	LGSS Joint Overview & Scrutiny Working Group
Purpose:	To present to the LGSS Joint Committee recommendations resulting from recent work by the LGSS Joint Overview & Scrutiny Working Group.
Recommendations:	That the LGSS Joint Committee:

1. 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.
2. Gives full support to the review of the operation of LGSS with regard to its accounts; and
3. Gives particular attention to the level of information expected by councillors to enable them to hold to account LGSS effectively.

1. Background

1.1 The LGSS Joint Overview & Scrutiny Working Group (referred to as the JWG in the remainder of this report) was set up in 2016 by the Overview & Scrutiny functions of Milton Keynes and Northamptonshire County Councils to implement a joint approach to scrutiny of LGSS matters. Cambridgeshire County Council has also appointed representatives to the JWG, although CCC does not operate a Cabinet / Overview & Scrutiny system of governance. The Terms of Reference for the JWG are included with this report (at Appendix 1).

1.2 The JWG last met on 3rd April 2017 to consider the following items of business:

- Overview of the LGSS Strategic Plan 2017-18 to 2021-22
- 2016 Customer Satisfaction Framework results
- Update on the position concerning the LGSS Statement of Accounts

1.3 The LGSS Managing Director, Director of Finance and Head of Customer Engagement & Business Development attended the JWG meeting to present on these items.

1.4 The JWG considered the vision, mission, strategy, goals and objectives set out in the Strategic Plan and supporting financial plans. It noted the current position. Discussion of the other two items of business resulted in the JWG identifying specific recommendations to the LGSS Joint Committee, which are set out below.

2. LGSS Customer Satisfaction Framework

2.1 The JWG considered a presentation on the results of the 2016 CSAT survey and further planned development of the CSAT Framework, as given to the LGSS Joint Committee on 23rd March 2017. In the course of discussion members sought reassurance that all customer comments, complaints and compliments were consistently recorded, and questioned how the percentage of customers that LGSS sought feedback from compared with the level sought by major commercial companies. The JWG also discussed opportunities to improve the LGSS on-line end-user survey. The JWG endorsed the overall progress being made in relation to customer satisfaction and the development of the CSAT Framework.

2.2 Members did highlight that not all service-users may be able to use an on-line survey to give feedback and questioned whether alternatives were offered. They noted that councillors at partner authorities had been given the opportunity to complete hard-copy forms in 2017 although the response had been limited. Members suggested that a more productive approach might be to seek feedback through relevant committees, rather than by approaching councillors individually. It was also emphasised that, in either case, councillors needed to be informed about the aims, organisation and operation of LGSS to give effective feedback about its performance.

2.3 The JWG was advised that the LGSS Joint Committee was due to give further consideration to the development of the CSAT Framework at a future meeting. The JWG therefore resolved to recommend:

That the LGSS Joint Committee 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.

3. LGSS Statement of Accounts

3.1 The JWG was addressed by the author of the objection to the 2014-15 LGSS Statement of Accounts, who spoke about his original and continuing concerns about the transparency of LGSS accounting arrangements and dissatisfaction with the way that LGSS and its external auditors had dealt with the objection and other requests for information from him. The JWG subsequently heard from the external auditor's director, who advised that a final decision letter on the objection had been issued in February 2017 and that from the auditor's perspective they had responded to all matters raised in the objection. The external auditor had since issued unqualified opinions on the 2014-15 and 2015-16 LGSS accounts and these had been signed-off.

3.2 The JWG discussed the effectiveness of LGSS accounting arrangements, in light of the different perspectives on this matter that had been brought to its attention. It was felt that the point of contention in this case was how financial information should be presented by LGSS: the JWG had not seen anything that indicated that money was missing or hidden. However, some members emphasised that LGSS needed to operate as transparently as possible and councillors should be able to see clearly how public money was being used between LGSS and the partner authorities. It was highlighted in this context that the external audit (ISA 260) report for 2015-16 included a high priority recommendation for improvements to the LGSS accounting structure. It was suggested that it would have been beneficial for such matters to have been addressed sooner.

3.3 The JWG was reminded of the way in which LGSS was constituted and the implications of this for the way it operated. LGSS was not required to publish accounts but the Joint Committee had agreed it would continue to do so. LGSS' operation and its accounts were subject to the same degree of oversight as any of the partner authorities' other directorates. However, LGSS recognised that its accounts and accounting practices were complex and had become more so as the organisation had continued to develop. Its existing arrangements would be reviewed to recognise areas for improvement such as those identified in the external audit report.

3.4 The JWG endorsed a review as a means of addressing points raised at the current meeting. Members suggested that one of the issues considered during the review should be identifying and meeting councillors' expectations about the information on LGSS available to them. The JWG agreed that it should seek to scrutinise the progress made with the review during 2017-18.

The JWG ultimately resolved to recommend:

That the LGSS Joint Committee gives full support to the review of the operation of LGSS with regard to its accounts.

That the LGSS Joint Committee gives particular attention to the level of information expected by councillors to enable them to hold to account LGSS effectively.

List of Appendices

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

LGSS Joint Overview & Scrutiny Working Group – Terms of Reference 2016/17

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.

LGSS Joint Committee - Agenda Forward Plan

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
March 2017									
Formal	23rd Mar 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			
			LGSS Strategic Plan 2017-18 to 2020-21	No	John Kane	Public			
			LGSS Customer Satisfaction results and service improvements	No	Claire Townrow	Private			
			LGSS Audit Plan	No	Matt Bowmer	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			
			ERP Gold Update	No	Mark Ashton	Public			
			Joint Scrutiny Committee Update	Yes	??	Public			
			Joint Committee Agenda Plan	Yes	Chair	Public			
November 2017									
Formal	15th November 2017 14.00 - 16.00	TBC	Election of Chair	No	Clerk to Committee	Public		7th Nov 2016	9th Nov 2016
			Election of Vice Chair	No	Chair	Public			
			Apologies and declarations of interest	Yes	Chair	Public			
			Minutes from previous meeting	Yes	Chair	Public			
			LGSS 2017/18 Budget Monitoring Report	Yes	Matt Bowmer	Public			
			Joint Committee Agenda Plan	Yes	Chair	Public			
			First for Wellbeing	No	Janet Doran	Public			

LGSS Joint Committee - Agenda Forward Plan

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
2018									
February 2018									
Formal	21st February 2018	TBC	Apologies and declarations of interest	Yes	Chair	Public			
			Minutes from previous meeting	Yes	Chair	Public			
			LGSS 2017/18 Budget Monitoring Report	Yes	Matt Bowmer	Public			
			Joint Scrutiny Committee Update	Yes	??	Public			
May 2018									
Formal	30th May 2018	TBC	Apologies and declarations of interest	Yes	Chair	Public			
			Minutes from previous meeting	Yes	Chair	Public			
			LGSS 2017/18 Budget Monitoring Report	Yes	Chair	Public			
			Joint Scrutiny Committee Update	Yes	??	Public			

LGSS Joint Committee - Agenda Forward Plan

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							