

## **LGSS JOINT COMMITTEE: MINUTES**

**Date:** Wednesday 28<sup>th</sup> March 2018

**Time:** 11:00am – 1:35pm

**Place:** Room 128, Shire Hall, Cambridgeshire County Council

**Present:** Cambridgeshire County Council (CCC): Councillors Chris Boden and Paul Raynes

Milton Keynes Council (MKC): Councillors Ric Brackenbury, and Robert Middleton.

Northamptonshire County Council (NCC): Councillors Graham Lawman and Bob Scott

**Others in attendance:**

M Ashton (LGSS Director of Business Services, Systems and Change), M Bowmer (LGSS Director of Finance), M Cox (LGSS HR Director), J Hartley (LGSS Head of Business Planning and Finance), D Hayward (KPMG), S Homer (Interim Managing Director LGSS), J Lee (LGSS Head of Integrated Finance Services), C Malyon (S151 Officer Cambridgeshire County Council), H Organ (KPMG), P Simpson (S151 Officer Milton Keynes Council) and D Snowdon (Democratic Services Officer)

**Apologies:** Councillors McLean, Parker and Wilson

**34/18            DECLARATIONS OF INTEREST**

None.

**35/18            MINUTES – 24 NOVEMBER 2017**

The minutes of the meeting held on 24 November 2017 were agreed as a correct record and signed by the Chairman, subject to the following amendments:

- 29/17 LGSS Annual Report and Statement of Accounts – It was requested that the use of carry-forwards to offset overspends within LGSS be added to the minutes.
- 30/17 Agresso (Unit 4 Business World) Implementation – It was requested that the forecast launch date for the Integrated Accounting System was April 2019. Officers explained that delays had resulted from the later implementation of the Agresso system and that April 2019 represented the most realistic launch date of the system.

A Member drew attention to the report requested by Members regarding the governance arrangements of Opus-LGSS People Solutions Limited and expressed disappointment that it was not on the agenda for the meeting. Officers confirmed that the report had been circulated by email

following the cancellation of the February meeting of the LGSS Joint Committee and confirmed that the report would be presented at the next meeting.

In relation to minute 34/17, Members requested an update regarding new business development. Due to the confidential nature of the item officers agreed to provide an update at the end of the meeting following the exclusion of the press and public from the meeting.

**36/18**

## **INTRODUCTION FROM THE NEW INTERIM DIRECTOR OF LGSS**

The newly appointed Interim Director of LGSS, Sarah Homer addressed the Joint Committee and shared her appointment brief with Members. The brief focussed on leading the organisation, changing and developing the culture of LGSS, delivery of the ERP Gold system and the conducting of a thorough review of the LGSS operating model. The review of the operating model would be an inclusive process that would benefit from Member involvement and provide opportunity to pause and reflect on where LGSS was and prepare for the eventual appointment of the next Managing Director of LGSS.

The initial reflections of the Interim Managing Director were that LGSS was a mature organisation that was growing positively, however there were improvements that could be made. There was complexity in terms of reporting, shareholders and their expectations that required management and there was a need to simplify aspects of the model. Stakeholder involvement in LGSS was complex and would become more complex as LGSS grew. Changes in the political environment would also have an impact on the organisation. There was a need to ensure sufficient capacity for service improvements to be made and attention was drawn to the experience of Milton Keynes Council joining of LGSS. The importance of shared services was emphasised with the economies of scale that could be achieved and there was limited scope for individual organisations delivering their own support services.

The Interim Managing Director updated Members regarding Northamptonshire County Council (NCC) following the issuing of the Section 114 Notice and the recent publication of the Best Value Inspection report. The Secretary of State for Communities and Local Government was minded to appoint two Commissioners to NCC. While the Council and LGSS accepted the report there were factual inaccuracies contained within it that LGSS would have preferred to have been addressed prior to publication. However, a draft of the report had not been circulated by the Inspector. A response to the report would be submitted to the Secretary of State within the overall NCC response for 12<sup>th</sup> April 2018. Factual inaccuracies within the report included the non-return of surpluses or benefits to NCC. It was accepted that financial monitoring and support could have been more effective however, it had to be viewed within the context of the federated business model NCC had embarked upon.

Members were informed that Councillor Michael Clarke had been appointed as Cabinet Member for Finance and would therefore be representing NCC at future meetings of the LGSS Joint Committee.

The Joint Committee noted the appointment of two consultants that would provide additional capacity during the operating model review.

Engagement workshops would take place with a neutral approach that would provide critical challenge to the organisation. It was anticipated that the Interim Managing Director would report at the end of May 2018.

Following staff engagement sessions, 245 questions from staff had been consolidated into themes with governance and identity that were the two strongest to emerge.

In welcoming the introduction from the Interim Managing Director Members:

- Requested the circulation of the draft response to the Best Value report in order for Members to have responses to the factual inaccuracies when questioned. **ACTION**
- Requested the circulation of the feedback received at the engagement sessions held with staff in order to be better able to inform debate and decisions at meetings of the Joint Committee. Officers agreed to circulate the themes that had been determined from the collation of the questions and informed Members that they will form part of the operating model review. **ACTION**
- Drew attention to the importance of learning from mistakes and questioned how effective LGSS was at identifying and learning from them. In response the Interim Managing Director explained that no organisation learned from its mistakes as effectively as it should and LGSS was no exception. One area for improvement was programme management and ownership. This was evident during the early implementation of ERP Gold which suffered a poor start due to an overly optimistic business case but the project had been turned around with great progress made since October 2017. Despite the late delivery and additional costs, the system still represented good value when compared to other Councils.
- Urged officers to ensure that the response to the Best Value report remained factual and avoided the risk of appearing defensive.
- Drew attention to the role of the Joint Committee as decision makers within LGSS.
- Noted that terms of reference for various work streams of the operating model review would follow the completion of the first stage of the review.
- Noted that due to the time constraints regarding the review, the initial Member engagement would include the Joint Committee and the joint Scrutiny Working Group. The Interim Managing Director offered her

attendance at group meetings that would form part of the wider engagement strategy.

It was resolved to note the introduction from the Interim Managing Director.

**37/18**

## **LGSS BUDGET MONITORING REPORT – JANUARY 2018**

Members received the LGSS Budget Monitoring report for January 2018. Officers commented that the report was disappointing given the previous years' achievements of LGSS. Attention was drawn to the forecast net overspend for the financial year that totalled £241k. Officers informed Members that the overspend had occurred largely as a result of shortfalls on the trading account. The trading lines had historically presented a risk and there had been a significant swing in the performance of LGSS Law. LGSS, Members were informed, had no general reserves and therefore earmarked reserves following review had reduced the overspend to a deficit of £241k that would have to be allocated between Northamptonshire and Cambridgeshire County Councils if no further mitigation actions could be found. Early indications for the February iteration of the report showed a marginal improvement however, it was highly likely that LGSS would end the year in deficit.

Officers drew attention to the complex nature of the report and following feedback from the LGSS Joint Scrutiny Working Group, improvements would be made to the report for the new financial year. The improvements included an executive summary to the report, supplementary tables that would improve readability and input graphs that would allow ease of tracking performance.

During discussion of the report Members:

- Welcomed the improvements proposed to the format of the report emphasising its importance to Members.
- Drew attention to the full year variance that accounted for more than 4% of the full year budget, expressing concern that such a variance had occurred.
- Highlighted the impact of the delayed implementation of the Agresso ERP system upon the revenue budget. Members requested that future reports avoided presenting net figures within the report as there was a risk that the actual position could be masked. It was preferred to have the figures to be explicit and contain appropriate narrative that explained mitigating actions that had taken place to address any issues.
- Emphasised the importance of identifying risks at an early stage in order that such variances did not appear so late in the financial year.

- Drew attention and expressed concern regarding the performance of LGSS Law and questioned the rationale of figures for LGSS Law being reflected within the overall LGSS performance when it was a separate organisation. Officers conceded that the governance arrangements were not as explicit as they could have been and confirmed that there was no governance provided through the LGSS Joint Committee to LGSS Law, however there were important relationships between the two organisations financially.
- Noted that LGSS Law could be incorporated within the scope of the Interim Managing Director's review and that a significant amount of work had been undertaken to address the issues which were largely historical. LGSS Law was a young company that had doubled its turnover in 3 years. Members commented that elected Members drove the change in governance arrangements for LGSS Law so that it was now a free standing company and it was inappropriate for its finance figures to flow through the main finances of LGSS.
- Drew attention to the use of carry forwards regarding underspends and questioned whether the main issue was a spike in the trading position at the year-end when the LGSS service line had worsened by £100k since November 2017. Officers explained that there were limited earmarked reserves set out in appendix 2 of the report had been reported during the year and those not being used for their original intended purpose would be used in order to offset the overall financial position. . The impact of the delayed delivery of the Agresso ERP system was reflected across a number of the service lines. The largest variance was the performance of LGSS Law.
- Commented that it was not clear how the deficit had arisen from the report and expressed concern that it was not clear that actions recommended at the last meeting of the Joint Committee had not been taken sufficiently seriously and completed.
- Confirmed with officers that all carry-forwards totalling £1.5m were committed in November 2017 and were not available.
- Expressed concern that issues within the budget monitoring report were reflected in the Best Value inspection undertaken at Northamptonshire County Council. Officers highlighted the Interim Managing Director's review which would include a robust review of the budget that would ensure a tight process. The early reporting of variances was critical in order to effectively manage the budget. Attention was drawn to the culture of the organisation and the importance of an environment where concerns could be raised.
- Councillor Brackenbury, seconded by Councillor Middleton with the agreement of the Joint Committee proposed that the Joint Committee note the recommendations with great disappointment.

It was resolved by majority (4 in favour; 2 abstentions) to note with great disappointment:

- (a) the financial monitoring position as at 31 January 2018;
- (b) additional options are being explored to address the current £241k forecast shortfall;
- (c) the summary position on carry forward balances and reserves
- (d) the capital monitoring position regarding LGSS capital projects; and
- (e) note the additional in year savings ask from NCC.

**38/18**

### **LGSS STRATEGIC PLAN AND 2018/19 BUDGET**

The Committee received the LGSS Strategic Plan and 2018-19 budget. Members noted that the Strategic Plan would be reviewed as part of the operating model review being undertaken by the Interim Managing Director of LGSS.

Officers drew attention to some minor changes within the document and informed Members that the growth forecast would form part of the Operating Model review.

Members were informed that the review of the operating model would look at the essence of shared services and what it meant in order to identify how LGSS was configured and deliver greater returns. LGSS had received criticism in the Best Value report into Northamptonshire County Council, however, the reputational damage would be mitigated by future actions.

- Expressed concern that the removal of the trading contingency of £55k set out in paragraph 3.2 removed headroom and increased risk. Officers explained that the growth strategy would be reviewed as part of the operating model review.
- Drew attention to the requirement for the goals to be relevant to LGSS and not related to separate organisations such as LGSS Law.
- Questioned how the provision of LGSS IT services within the health sector would promote integration between health and social care. Officers explained that the role of LGSS was to assist in providing linkages between the two sectors through sharing of data and systems that could assist with demand management and discharges from hospital.
- Queried table 3 contained on page 18 of the Strategic Plan, in particular the base budget for 2017/18 that did not correlate with the base budget contained within the Budget Monitoring report. Officers agreed to provide an explanation to Members.

- Proposed an amendment with the unanimous agreement of the Committee to recommendation (b) in order that the budget be reviewed mid-year, together with the Strategic Plan.
- Queried whether the £145k trading income was gross or net. Officers confirmed that the figure was net and represented a surplus.
- Councillor Brackenbury proposed with the agreement of the Committee that references to 'Next Generation Working' be removed and replaced.
- Questioned whether the upgrade to the pension system Altair, had been successfully implemented. Officers confirmed that the payroll element of the system was operational but further work was required regarding the hosting of the system.
- Drew attention to the strategic focus on acquiring a fourth and fifth full shareholder partner and questioned the timescales stated in the Strategic Plan as they were not clear.
- Sought clarification of why Milton Keynes Council's (MKC) expenditure inflation was marked 'tba' within table 3 of the Strategic Plan. Officers drew attention to the explanation contained on page 53 of the plan where MKC held inflation money centrally and would be allocated as appropriate during the year.
- It was proposed with the unanimous agreement of the Committee that recommendation (b) be amended to include a mid-year review of the budget.
- Questioned officers' expectations regarding a surplus or deficit for the coming financial year. Officers highlighted risks regarding trading activity and the amount of assurance regarding day to day operational budgets. It was essential that robust monitoring continued throughout the year in order that any issues be identified as early as possible.

It was resolved to:

- (a) Consider the update to the LGSS Strategic Plan and approves the proposed budget for 2018/19;
- (b) Review the Strategic Plan and budget mid-year
- (c) Remove the term 'next generation working' from the strategic plan.

**39/18**

## **EXTERNAL AUDIT PLAN**

The Joint Committee received the External Audit Plan from the external auditor KPMG. In presenting the plan officers reminded the Joint Committee that as the audit was non-statutory it would solely focus on the LGSS accounts and no value for money work would be undertaken.

However as KPMG provided external audit services to Northamptonshire County Council they would examine areas that LGSS interacted with.

Attention was drawn to the materiality threshold, triviality threshold and the costs of the audit.

It was resolved to note the External Audit Plan

#### **40/18      AGRESSO (UNIT 4 BUSINESS WORLD) IMPLEMENTATION**

The Joint Committee received a report that provided an update regarding the implementation of Agresso (Unit 4 Business World).

During the course of discussion Members:

- Noted the successful parallel pay run and that the errors that occurred were due to issues with the legacy system rather than Agresso.
- Noted officer's confidence in the accuracy levels within the system and errors were being investigated individually. Preparation was taking place for the April payroll with additional helpdesk support and communications to staff being provided.
- Requested feedback from the launch of the system both what went well and not so well in order that Members remained informed. **ACTION**
- Congratulated officers for turning the project around, recognising the work that had been undertaken over the previous 6 months. It was therefore proposed with the agreement of the Committee that a recommendation be added that thanked officers for the recovery of the project.

It was resolved to:

- a) Note the progress on the implementation of the programme to implement the Agresso (Unit4 Business World) ERP system.
- b) Thank and congratulate officers for recovering the project.

#### **41/18      REPATRIATION OF THE DEMOCRATIC SERVICES TEAM TO MILTON KEYNES COUNCIL**

The Committee received a report that requested agreement to the repatriation of the Democratic Services team to Milton Keynes Council and the necessary change to the Shareholders' Partnering Agreement. Members noted that while beneficial joint working had been undertaken but that due to the nature of the Democratic Services teams and the geography it was not easily integrated.



It was resolved to agree that the Democratic Services Team will return to Milton Keynes Council from 1<sup>st</sup> April 2018

**41/18 EXCLUSION OF PRESS AND PUBLIC**

At the discretion of the Chairman to allow an additional agenda item, it was resolved that the press and public be excluded from the meeting for the following item on the grounds that the item contained 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 the information to be disclosed: information relating to the financial or business affairs of any particular person (including the authority holding that information).

**42/18 NEW BUSINESS DEVELOPMENT**

Members received an update from officers regarding new business development and business activities with existing customers.

It was resolved to note the update provided.

Chairman