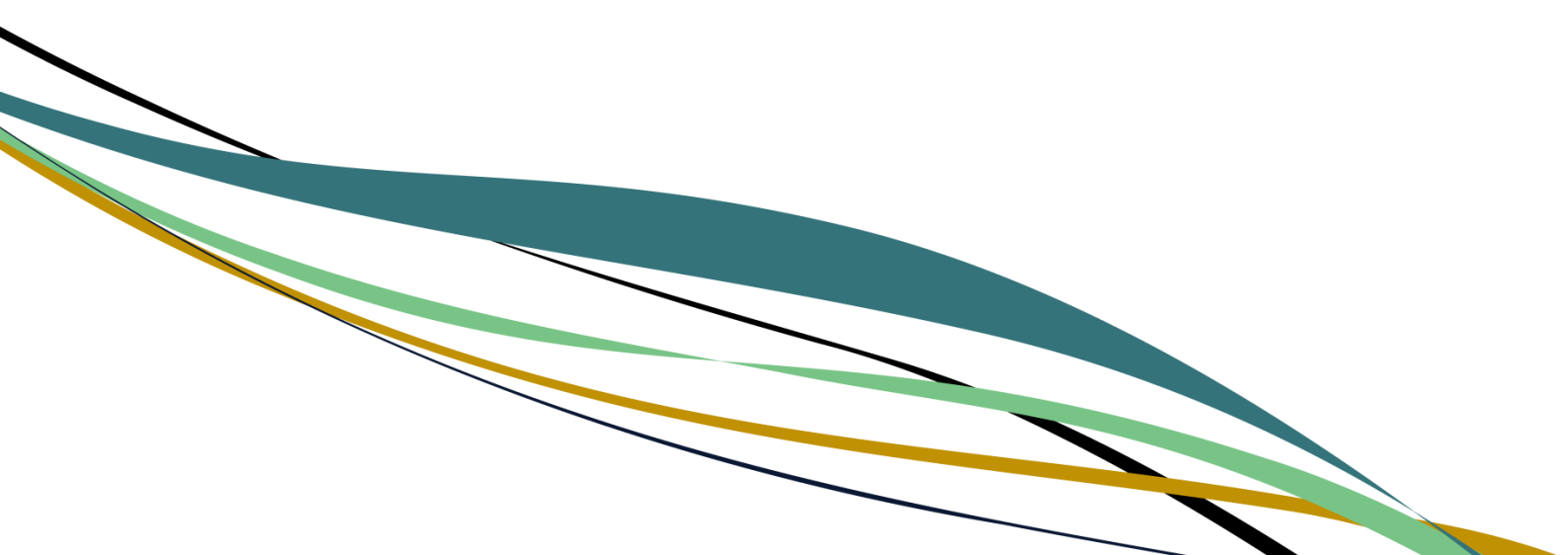




LGSS Strategic Plan

2017-18 to
2021-22

2018-19 Financial Strategy Update



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Approval of plan

This plan updating the financial strategy and budget will be considered for approval by LGSS Joint Committee on Wednesday 28th March 2018.

1. Introduction

LGSS Strategic Plan Update

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

Background

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

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



Figure 1: LGSS regional focus

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

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

LGSS Core Region Focus

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

LGSS Business Ethos

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

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

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

2. LGSS Vision, Mission, Strategy and Values

LGSS Vision

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

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

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

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

LGSS Mission

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

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

LGSS Strategy

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

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

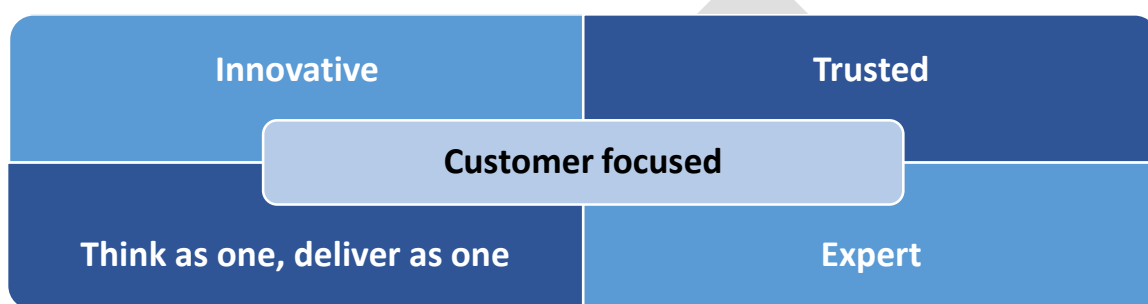
LGSS aims to innovatively combine economies of scale with increasing convergence of systems and processes, both within LGSS and across retained partner organisations, to increasingly enable release of mutual benefits for all LGSS partners by enabling more and easier public sector collaborations.

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

LGSS Values

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

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



3. Key Goals and Objectives

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

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

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

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

Goal 2

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

Enabling key objectives:

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

Goal 3

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

Enabling key objectives:

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

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

Goal 4

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

Enabling key objectives:

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

Goal 5

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

Enabling key objectives:

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

Goal 6

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

Enabling key objectives:

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

4. Future Developments

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

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

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

Next Generation Working/Smarter Business Programmes

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



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

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

Enterprise Resource Planning (ERP) Solution

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

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

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



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

Health and Care IT and Systems

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

Pensions System Upgrade

The Pensions Service has implemented the latest payroll module of the Altair pension administration system. This will enable LGSS to offer a fully integrated, modern payroll and administration solution and scalable shared systems platform ideal for supporting the pooled pensions funds agenda and it will immediately create efficiencies such as reduced inter-system reconciliations. In addition there are plans to bring the hosting of the Altair platform in house.

LGSS Law Ltd – Next Generation Legal Case Management Systems

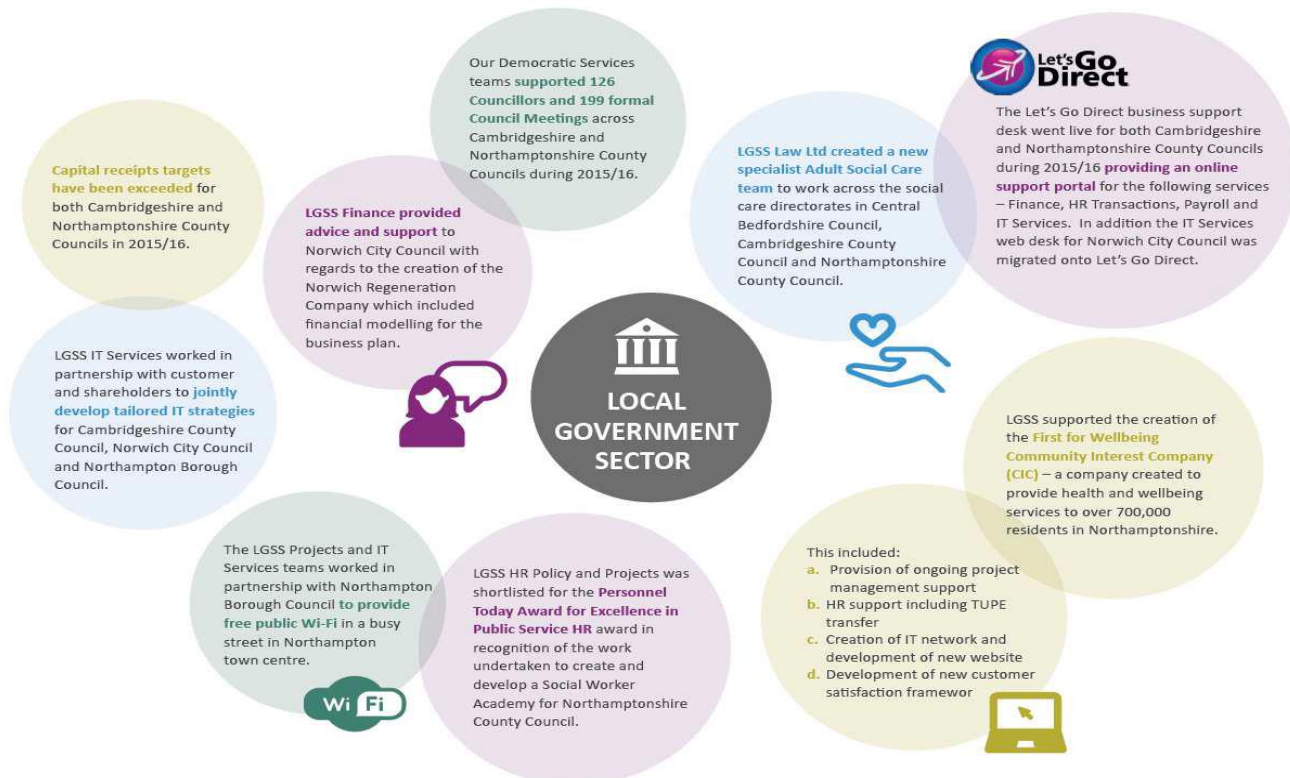
LGSS Law Ltd selected its new case management system which went live in early 2017, hosted and supported by LGSS IT as a private cloud based next generation system and service. This created a scalable, shared IT systems platform offering the most modern, agile procedures for supporting a secure and cost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

LGSS Digital Solutions and Services

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

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

More examples of LGSS service improvement and innovation initiatives:



5. LGSS Financial Strategy Approach

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

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

While the original planned expansion of LGSS did not happen as envisaged, it still successfully delivered its savings and growth plans and did so with significant over achievement in most of its initial five years. This over achievement enabled LGSS to make

several dividend style payments to both CCC and NCC in recent years, as well as allowing LGSS to be mostly self funding for key LGSS investments including all core transformation and workforce rationalisation costs to date.

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

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

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

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

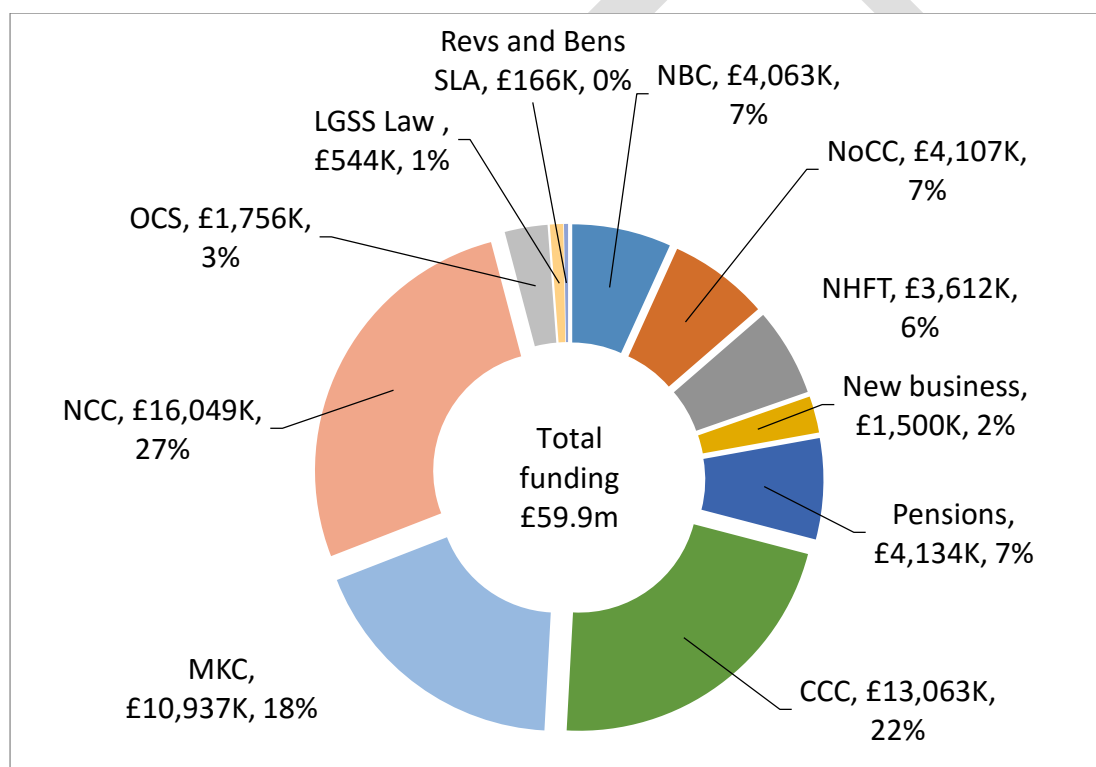
As part of the LGSS target operating model, each partner's Chief Financial Officer acts as the lead commissioner (or intelligent client) for all LGSS services; they have been part of the discussions on the update of this Financial Strategy, primarily through their membership of the LGSS Management Board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

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

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

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

Chart 1: LGSS funding streams by partner/customer organisation



Only circa 67% of LGSS's total £59.9m of funding is directly paid for by CCC, MKC and NCC collectively. This leaves around 33% of LGSS budgets/funding associated with, and exposed to, trading income (which benefits mainly CCC and NCC currently).

This high level of ongoing trading income risk at 33% is generated from various external customer revenue sources such as schools, districts and boroughs, and health trusts. In particular a few major exposures exist with key partner delegation agreements with NBC,

NoCC and NHFT and each is exposed to renewal loss every five years. Loss of any of these three customers for example would have a major impact on the funding levels and current levels of service provided by LGSS to CCC and NCC especially.

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

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

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

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

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

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

recruitment agency. This service line based tactical growth approach will also extend to include LGSS IT, LGSS Audit, and LGSS Business Systems.

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

2018-19 to 2022-23 Position

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

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

	2018-19	2019-20	2020-21	2021-22	2022-23
	£000	£000	£000	£000	£000
Business planning commitments:					
CCC	706	619	607	566	284
MKC	520	465	415	TBD	TBD
NCC	803	708	351	TBD	TBD
Total ask	2,029	1,792	1,373	566	284

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

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

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

In addition, the LGSS business plan has further commitments which are partly addressed through the final year of the three year service review programme and from additional

trading income from new customers and new business growth plans. The overall LGSS position is summarised in Table 2 and highlights the gap in 2018-19 and future years.

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

	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000
Service reviews	924	0	0	0	0
MKC business case	992	225	200	0	0
Increased trading income	96	38	0	0	0
Service Line additional income targets	188	169	120	220	220
Contributions to (-)/from business case profiling reserve	-171	440	415	-207	0
TOTAL	2,029	872	735	13	220
Residual gap	0	920	638	553	64

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

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

Financial Plans

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

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

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

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

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

Table 3: Budget Build 2018-19

	CCC £000	MKC £000	NCC £000	Total £000
Base budget 2017-18	16,838	10,838	29,314	56,989
Transfers to/(from) LGSS base	871	118	0	989
Gross expenditure budget – base	17,709	10,956	29,314	57,978
Pressures	76	501	350	927
Expenditure inflation	91	TBA	6	97
Transfer from Reserves	0	0	-447	-447
Savings	-706	-520	-803	-2,029
Customer specific savings	0	0	-562	-562
Gross expenditure budget – revised	17,170	10,937	27,858	55,964
Income	-8,277	-1,675	-17,222	-27,174
Income inflation	-22	0	0	-22
	-8,299	-1,675	-17,222	-27,196
Net budget 2018-19	8,871	9,262	10,636	28,769

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

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

Pressures:

- In CCC there are recognised pressures of £76k that have been added relating to the apprenticeship levy (£15k) and the impact of the National Living Wage on pay costs.
- In MKC pressures of £217k for HR traded income, £82k for IT traded and grant income, and £152k data hosting savings which will be delivered in MKC budgets

rather than LGSS have been addressed. In addition, MKC have funded £50k to reduce the agreed savings in the professional finance team.

- In NCC the pressure of £350k from loss of NCC schools income has been addressed for the future.

Inflation:

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

Transfer to reserves:

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

The savings that have been included in the three authorities MTFPs are included at the agreed amounts of £706k, £520k (excluding Revenues and Benefits) and £803k for CCC, MKC and NCC respectively. A further £157k of savings in the MKC MTFP relate to Revenues and Benefits and are excluded from the numbers above. In addition, Council specific savings of £562k have been included for NCC impacting only on services to that Council, giving an adjusted gross budget figure of £51,986k. The base budget for income is £23,155k and CCC have added inflation of £22k. MKC and NCC have not included inflation for income.

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

Table 4: Income/Expenditure Analysis

Income/expenditure line	Net budget £000s
Direct employees	52,890
Premises costs	119
Transport costs	554
Supplies and services	5,137
Recharge income	-2,736
Gross expenditure – total	55,964
Income	27,196
Net expenditure – total	28,769

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

Table 5: Directorate/Service Budgets

LGSS services by directorate	Gross expenditure budget £000	Income budget £000	Net expenditure budget £000
Finance Services Directorate:			
LGSS Director of Finance	171	0	171
Professional Finance – CCC	2,735	-38	2,697
Professional Finance – MKC	1,830	-53	1,777
Professional Finance – NCC	1,259	-57	1,202
Financial Operations	4,273	-293	3,980
Integrated Finance Services	1,332	-624	708
LGSS Business Planning & Finance	449	-6	443
Audit & Risk	1,717	-277	1,439
Pensions Operations	4,734	-4,734	0
Finance Customers and Other	1,928	-24	1,905
Total Directorate	20,427	-6,106	14,321
Human Resources Directorate:			
HR Central Management	150	0	150
Policy & Strategy	1,519	-132	1,388
HR Business Partners – CCC	1,093	0	1,093
HR Business Partners – MKC	870	0	870
HR Business Partners – NCC	1,139	0	1,139
NCC Schools	0	-256	-256
MKC Schools	111	-89	22
Learning & Development	3,274	-271	3,004
HR Transactional Services	2,351	-713	1,638
Total Directorate	10,507	-1,460	9,047
Business Services, Systems & Change Directorate:			
BSSC Leadership	159	0	159
Procurement & Insurance	1,378	-202	1,176
LGSS Business Systems & Change	3,235	0	3,235
Customer Engagement	387	0	387
Business Development	174	0	174
BSSC Customers and other	465	0	465

LGSS services by directorate	Gross expenditure budget £000	Income budget £000	Net expenditure budget £000
Language Service	679	-680	-2
Total Directorate	6,478	-883	5,595
IT Directorate:			
Cambridgeshire County Council	1,492	-250	1,242
Milton Keynes Council	2,893	-582	2,311
Northamptonshire County Council	1,037	0	1,037
IT Customers	7,166	-291	6,875
Strategy & Architecture	778	-16	761
Digital Services	834	0	834
Service Delivery	993	0	993
Total Directorate	15,193	-1,139	14,054
LGSS Law and Governance Directorate:			
Democratic Support Services	1,362	-110	1,252
CCC Corporate Legal Budget	102	0	102
Total Directorate	1,464	-110	1,354
Managing Director & Support			
Managing Director & Support	66	-10	56
Trading Account (Part)			
Central Trading	1,830	-19,799	-17,969
TOTAL	55,964	-27,196	28,769

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

Table 6a: Savings/Efficiency Plans – Service Reviews and Other non MKC Business Case savings

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

Transformation team provided on a pay as you go basis	-100	0	0	0	0
Strategic Management					
Strategic Management	-50	0	0	0	0
Review of LGSS Structures	-174	0	0	0	0
TOTAL	-924	0	0	0	0

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

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

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

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

Table 6c: NCC Specific savings

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

Service area	2018/19 £000	2019/20 £000	2020/21 £000	Description
IT	71	0	0	Rationalisation of posts supporting NCC
Customer engagement	15	0	0	Cease all customer satisfaction and performance framework activity
Business Systems	0	20	25	Savings post ERP implementation
	562	116	25	

Table 6d: Trading income - Service charges

Customer type	2018/19 £000
Current customers	2,037
New customers	304
Total	2,341
Trading target	2,245
Increase	96

Table 6e: Service Line additional income targets

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

IT					
Digital	-50	-50	-50	-100	-100
TOTAL	-188	-169	-120	-220	-220

6. Financial Monitoring, Planning and Governance Procedures

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

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

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

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

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

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

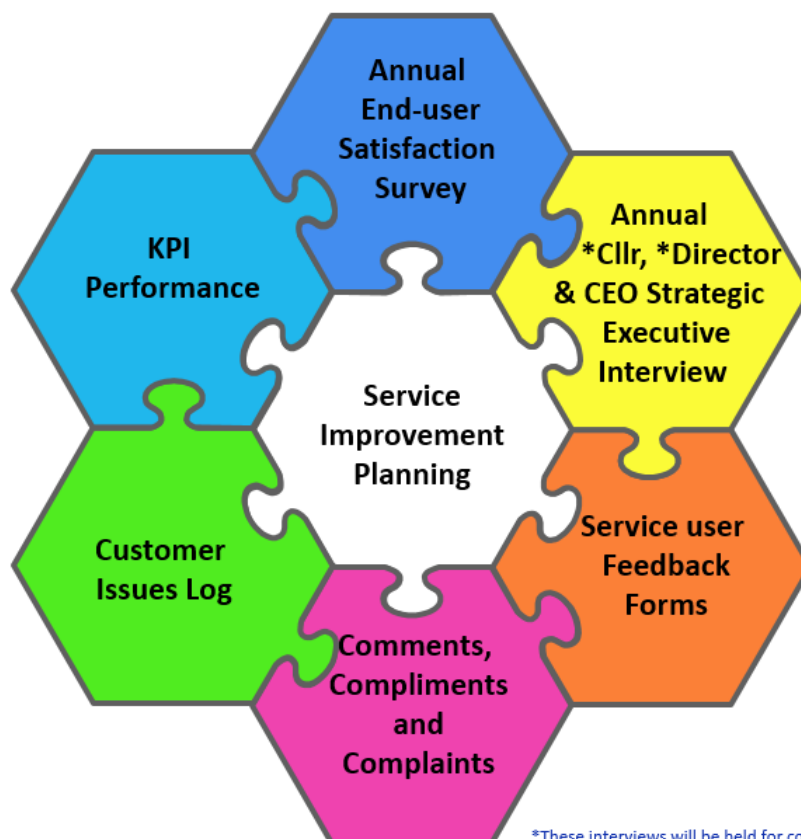
review will naturally take note of the potential benefits available through the implementation of ERP Gold.

7. Customer Satisfaction Framework

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

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

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



An overview of each component of the framework follows:

Annual End-user Satisfaction Survey

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

Annual Strategic Executive Interviews

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

Service User Feedback Forms

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

Comments, Compliments and Complaints

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

Customer Issues Log

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

Key Performance Indicators

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