



LGSS Strategic Plan

2017-18 to
2021-22

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1. Introduction

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 and Northamptonshire County Councils in October 2010. LGSS has steadily expanded with many new, public sector partners choosing to join through delegation during the past few years, including Norwich City Council, Northampton Borough Council, Olympus Care Services and Northamptonshire Foundation Health Trust. Indeed Norwich City Council were the first major new partner to join LGSS following its creation and they very recently and happily renewed their LGSS relationship for a another 5 years as from April 2017.

Another landmark development for LGSS happened in April 2016 with Milton Keynes Council 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, 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, HR Advisory and Recruitment, Revenues & Benefits, Internal Audit & Risk, Pensions Administration, Procurement, IT, Democratic and Legal Services.



LGSS core region focus:

LGSS growth is focused in the region (as shown in by the map above) and within the wider public sector which means staying very close to the customers and keeping staff 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:

The LGSS business ethos is 'By the public sector, *for the public sector*' operating as not for profit, shared risk and reward model between all LGSS partners. This ensures that all benefits and savings from sharing remain within the public sector, and allows LGSS to operate as a genuine trusted, integrated shared services partner.

LGSS has around 1,725 full time equivalent (fte) staff 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 & 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/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 for all 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 and Strategy and Values

2.1 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 public to public Shared Service by its original founding councils so that it would continue to operate as a trusted, integral part of their own public service organisations, whilst 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.

Therefore the LGSS Vision is focused around ensuring and enabling each LGSS partner organisation 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 ways 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, and act like a tax payer”** whenever called upon to provide services to partners.

2.2 LGSS Mission

The Mission of any organisation should summarise and explain ‘what’ the main role of the organisation is in delivering its overall vision. Therefore the LGSS mission is to be focused on being an invaluable and integral part of its partner organisations and to continue working seamlessly with front line 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 front line services focused on delivering desired Community Outcomes.

2.3 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. Therefore 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). Hence LGSS growth is locally (i.e. regionally) focused and LGSS will seek ‘like minded’ 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.

2.4 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 staff and are meant to both complement and align with the values of each Partner organisation in which our staff 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 and support.



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 required LGSS services and resources to fully support and align with their priorities and annual service plans and budgetary constraints.
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Enabling key objectives:

- To understand and agree with each partner via their LGSS Services Commissioner/Intelligent Client (IC) an annual LGSS budget and linked 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 and Finance Planning team.
- Agree annual joint resource plans and budget plan procedures with each Partner - identifying and agreeing new resource demands jointly through PMO planning arrangements to be agreed with each Partner.
- Agree associated adjustments to SLAs/ 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, and to jointly plan with each Partner through their annual medium term financial planning/business planning arrangements.
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Enabling key objectives:

- Deliver the ERP Gold Programme - successfully implement and realise the subsequent £9.8m savings.
- Achieve the MKC OBC plan, projects and £4.2m savings over next five years.
- Renew and deliver the Norwich City Council, Northampton Borough Council (NBC) and Northamptonshire Healthcare Foundation Trust (NHFT) Partnership Delegated Agreement (PDA) commitments as per PDAs and Business Plans.
- Deliver the residual LGSS three years' Service Review savings.
- Achieve LGSS Law ABS OBC five year's incremental income plan.
- Achieve planned LGSS Revenues & Benefits five years OBC PDA savings, income and surpluses.

Goal 3	Continue to deliver economies of scale benefits for all Partners by growth, and LGSS doubling in scale over five years to deliver the planned additional £2m pa savings in current LGSS Net Budgets to directly benefit CCC, MKC and NCC (as per their PDAs).
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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 years growth and business development plan for each LGSS Service Line, with specific growth targets and objectives in the following 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 & Benefits and double in size i.e. 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 i.e. 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 i.e. from generating additional supplier/contract savings for Partners than currently planned.

Goal 4

To be valued as an Innovator and Change Agent for Partners to help improve and transform their front line services to citizens.

Enabling key objectives:

- To be a proactive enabler with the partners in the establishment of innovative models for their service delivery and financing
- For LGSS IT to proactively define and drive a convergent ICT Business Systems strategy with its Partners for all back office and front line 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.
- Successfully launch with CCC, MKC and NCC during 2017 the newly established, the jointly owned Opus LGSS Agency services capability and then 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 during the second half of 2017 onwards.
- Create and launch a more effective Strategic Sourcing capability with agreed increments from each partner involved (i.e. with each Partner CFO) to extend the value added offer by LGSS Procurement Services and the delivery of much greater savings from greater cooperation across all external Partners.

Goal 5

To be nationally recognised as the most cost effective, highly rated and agile Business Services provider to 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 (CSAT) ratings and measures for each Partner and Customer.

- Jointly plan with each Partner and Customer aligned to their MTFP/Business Planning requirements
- Always act in the wider interest of the Partners i.e. not restrained by an SLA/KPI 'mind set' – and to do so by acting in a way that is always 'in the best interests' of the 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 Human Resources Director (HRD) and Managing Director (MD) in conjunction with the LGSS Management Board (MB) will develop and agree an overall LGSS Workforce Strategy during the first half of 2017-18 for the subsequent approval by the LGSS MB and the LGSS Joint Committee during the second half of 2017-18. 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 Communities (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 MB and their heads of service working with the LGSS HRD.

4. Future Developments

Business transformation and innovation are crucial elements of the strategic business plan. Where there is commonality between customers LGSS will investigate and assess current processes in order to identify best practice and integrate, streamline, standardise and deploy the transformation across our customer base. 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 most cost effectively and to the highest quality attainable. LGSS support many

public 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 the team are working on 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 gets 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 ways of working
- A digital first approach which makes information more accessible off line 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 Enterprise Resource Planning (ERP) solution.



The LGSS ERP 'Gold Build' is a shared service ERP system being developed in partnership with Unit4 Business World software and 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 Northamptonshire Healthcare NHS Foundation Trust has enabled LGSS to develop its IT expertise within the health sector. An IT and Systems Strategy for health partners is being developed which will enable LGSS to create a Health and Care Systems Centre of Excellence.

Pensions Systems upgrade

The Pensions Service is currently implementing the latest payroll module of the Altair pensions 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. It is anticipated that a merged payroll and administration database will be in place by March 2017. In addition there are plans to bring the hosting of the Altair platform in house.

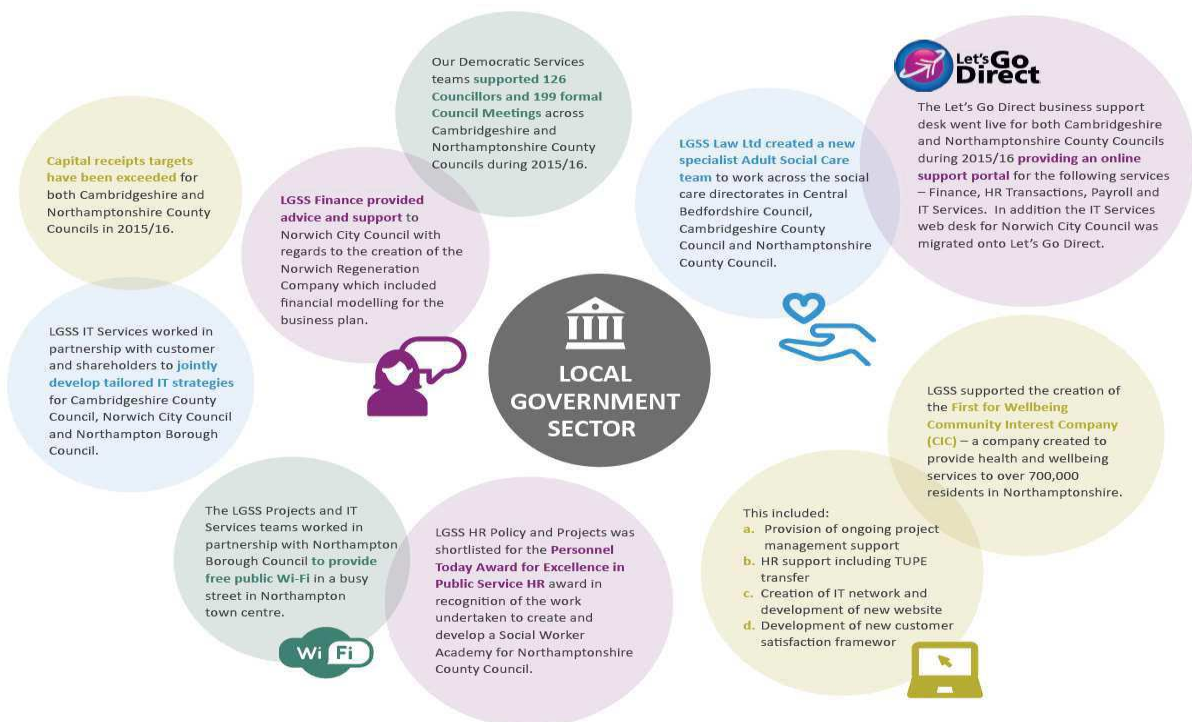
LGSS Law Ltd – Next generation Legal Case Management systems

LGSS has selected its new case management system called DPS for LGSS Law Ltd, ICON, which will go live in early 2017 hosted and supported by LGSS IT as a private cloud based next generation system and service. Again this will create scalable, shared IT Systems platform offering the most modern, agile procedures for supporting a modern, 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 IT traditional methods). 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, which dramatically speeds up the delivery of more digital solutions and services whilst significantly reduces costs for all LGSS partners. A digital service roadmap will be developed and launched during 2017 with partners by LGSS IT.

A few 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 the both Councils at both Cambridgeshire and Northamptonshire County Councils. The initial years of that LGSS financial plan and strategy were based primarily on consolidating key business systems and rationalising senior management teams between the

two founding authorities through the establishment of merged directorates and single heads of service and then subsequently consolidating business systems, standardising processes and 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 quickly be followed by LGSS attracting its third and a fourth full scope 'shareholder' partner, and that was assumed to be other local county council scale partners attracted to join LGSS within subsequent years of the plan. This expansion in order to derive further savings from increased economies of scale and using the same approach to convergence of processes, systems and teams as used in the earlier years.

And whilst the originally planned expansion of LGSS did not happen as envisaged it still successfully delivered its savings and growth plans and did so with significant over achievements in most of its initial five years. This over achievement enabled LGSS to make several dividend style repayments 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 to date has therefore seen a mix of customers joining though fixed term delegation agreements (as LGSS customers) including Norwich City Council, Northampton Borough Council and Northamptonshire Healthcare Foundation Trust. More recently Milton Keynes Council 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.

In addition, the lack of a third until recently and as yet no fourth 'shareholder' full partner has combined with further additional savings demanded by CCC and NCC over recent years to necessitate LGSS initiating a rolling programme of LGSS Service Reviews with the aim of identifying new savings in addition to the original LGSS five years Business Case reductions.

There have been five years of very major efficiency savings and integration, along with many new customers and a major new third shareholder Partner which has seen the original LGSS Plan delivered. This all 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 to enable a better and more informed annual service planning and funding discussion with each partner and customer. It will allow LGSS much greater alignment of resources to agreed funding levels, agreed with and for each Partner and customer as part of a more formal agreement with each regarding their specific SLAs/KPIs and service volumetrics.

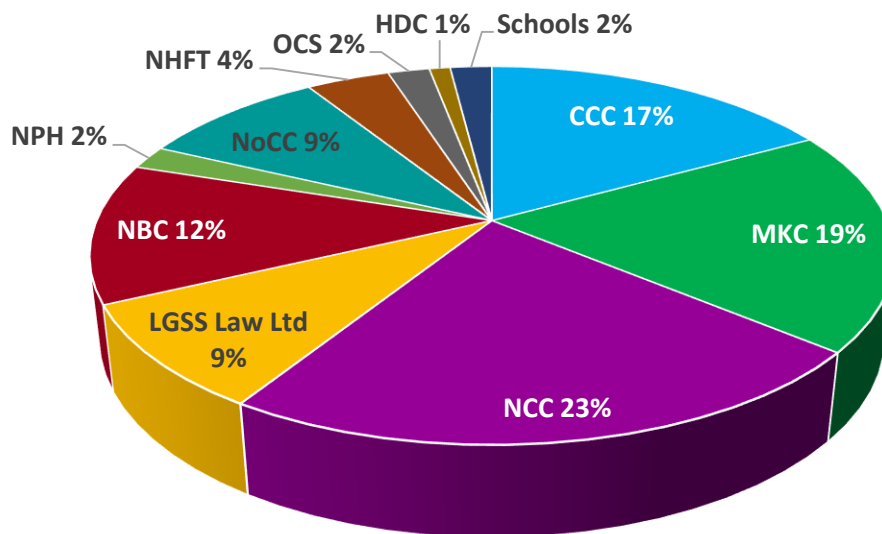
Therefore this Strategic Plan, and specifically the choices which need to be made on future efficiencies and potential service reductions, demands a greater connection between the SLAs/KPIs agreed with each partner and customer and their direct funding for each service line with LGSS. As part of the new LGSS Operating Model each partner CFO will act as the Strategic Commissioner (or Intelligent) Client for all LGSS services, and they have been part of the discussions on the formulation of this Financial Strategy and Strategic Plan primarily through their membership of the Formal LGSS Management Board and bilaterally as part of their own MTFP and Business Planning arrangements.

This planning approach was further tested informally with the Joint Committee in a workshop session in early 2017 and the Plans will also be reviewed with each partner Chief Executive and their Management Teams i.e. alongside discussions on their individual authority Service Level Agreements (SLAs) and to include consideration of both cost and service levels, resources and volumes of work as required. This final part of the process has taken place later than desired for 2017-18 and will in future be planned to take place earlier in a late August or early September i.e. for 2018-19. Also in place for 2017-18 will be a rolling programme of reviews of all services which will commence in spring 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 current trading income exposure (and inherent financial risk to LGSS budgets) included in the current plans as they stand as this time.

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

Chart 1: LGSS funding streams by partner/customer organisation



As can be seen only circa 59% of LGSS's total £87m of funding is directly paid for by CCC, MKC and NCC collectively – this does not include some circa £5m paid annually to LGSS Law Ltd through 'pay as you go' turnover by CCC and NCC only. Even if the LGSS Law Ltd spend by CCC and NCC was included it still leaves around 35% 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 35% 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 Partnering and Delegation Agreements with Northampton Borough Council, Norwich City Council and Northamptonshire Healthcare Foundation Trust 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.

Hence there are two clear choices in meeting these trading income risks and projected future funding gaps detailed below for LGSS going forward – firstly LGSS could make commensurate service level quality reductions to compensate for the loss of these trading incomes but given that scale of internal efficiencies and savings taken to date this would mean major impacts to CCC and NCC on LGSS services quality. The second option is further LGSS growth and expansion to allow even more exposure to trading income risks for LGSS but it 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, and this new balanced approach should over the next five years aim to rebalance amount of non shareholder (customer) to shareholder revenues and funding i.e. bring the proportions of non shareholder revenues down from 35% to well under 20% within the five years.

And that is why a growth path for both LGSS Law Ltd and LGSS Revenues and Benefits has been pursued that is heavily based on them expanding through acquiring additional 'shareholder' based partnerships i.e. such as Central Bedfordshire Council for LGSS Law Ltd, and Northampton Borough Council for the LGSS Revenues and Benefits model, whereby these growth plans and partnership relationships are based on them being a shareholder and therefore they create a much greater 'built in' longevity and permanency to such partnership for all the parties concerned (hence it is a much lower financial risk).

That is why LGSS will need to continue to pursue a 'balanced' growth strategy and plan based around the Four Points LGSS Growth Strategy, as previously discussed and approved with the Joint Committee, summarised below 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 i.e. including LGSS Law, LGSS Revenues & Benefits and even the newly launched Opus LGSS 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 & Care, led by the LGSS IT Services Directorate.
4. Develop a LGSS Franchise Model that exploits the reuse of LGSS developed shared services assets, knowledge and systems with new public partners operating outside our region i.e. initially exploiting and offering LGSS ERP Gold 'as a hosted service' offered on a paid basis 'down a wire' into other public to public, shared service enterprises who are 'like minded' across the UK.

[2017-18 to 2021-22 Position](#)

The 2017-18 to 2021-22 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 – 2017-18 to 2021-22

	2017-18	2018-19	2019-20	2020-21	2021-22
	£000	£000	£000	£000	£000
Pressures	1,563	0	0	0	0
Business Planning Commitments:					
CCC	468	706	619	607	TBD
MKC	830	770	715	665	TBD
NCC	564	803	708	351	TBD
Trading requirement	733	195	106	-37	TBD
Total ask	4,158	2,474	2,148	1,586	TBD

The specifics of the MKC five years 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 customer and new business growth plans. The overall LGSS position is summarised in Table 2 below also highlights the gap in 2018-19 and future years.

Table 2: Delivery Plan – 2017-18 to 2021-22

	2017-18	2018-19	2019-20	2020-21	2021-22
	£000	£000	£000	£000	£000
Address Pressures	1,563	0	0	0	0
Service Reviews	1,103	600	0	0	0
MKC Business Case	1,460	1,237	717	355	187
Contributions from Trading Reserve	217	106	-37	-37	0
Contributions to (-)/from Business Case Profiling Reserve	-185	-94	271	583	187
Total	4,158	2,474	2,148	1,586	TBD
Residual Gap	0	625	1,197	685	TBD

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's essential to ensure the base numbers are robust and the following budget build and income/expenditure analysis tables provide this greater assurance and linked to individually agreed partner SLA's 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 2017-18

	CCC	MKC	NCC	Total
	£000	£000	£000	£000
Gross expenditure budget – base	10,889	16,556	15,869	43,314
Pressures	55	0	0	55
Expenditure inflation	51	0	246	297
Transfer to Reserves	0	0	447	447
Savings	-468	-830	-564	-1,862
Gross Expenditure budget – revised	10,527	15,726	15,998	42,251
Income	-2,802	-3,944	-4,539	-11,285
Income inflation	-48	0	0	-48
	-2,850	3,944	-4,539	-11,333
Net budget	7,677	11,782	11,459	30,918

During 2016/17 there have been a number of transfers in and out of the base budget. The key ones being Strategic Assets and Property Services and the Deputy Chief Executive 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. It should be noted that all 3 authorities are finalising apportionment of the Apprenticeship Levy will affect the figures above.

Pressures:

- In CCC there is a recognised pressure of £55k that has been added.

Inflation:

- Inflation for CCC has been calculated by budget line and totals £51k. There is a process to increase this if appropriate.
- In NCC the inflation has been included as 1% of the salary base which amounts to £246k.
- In MKC the inflation money is held centrally and will be allocated as appropriate during the year.

Transfer to Reserves:

- In NCC there is a £447k transfer to reserves in line with the MTFP which will be made in April 2017.

The savings that have been included in the 3 authorities MTFPs are included at the agreed amounts of £468k, £830k and £564k for CCC, MKC and NCC respectively. This gives an adjusted gross budget figure of £42,251k.

The base budget for income is £11,285k and CCC have added inflation of £48k to their element. MKC and NCC have not included inflation for their 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	£000
Direct Employees	45,876
Indirect Employees	3,075
Premises Costs	34
Transport Costs	529
Supplies and Services	4,943
Third Party Contract Payments	83
Transfer Payments (grants to users)	-864
Other Expenditure	293
Recharge Income	-11,721
Gross Expenditure – Total	42,251
Income	11,333
Net Expenditure - Total	30,918

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

Please note these are draft budgets awaiting final confirmation.

LGSS Services by Directorate	Gross Expenditure Budget (000s)
Finance Services Directorate:	
Professional Finance CCC	2,134
Professional Finance MKC	1,787
Professional Finance NCC	1,560
Financial Operations	4,216
Integrated Finance Services	1,184
LGSS Business Planning & Finance	491
Audit & Risk	2,290
Total Directorate	13,662

LGSS Services by Directorate	Gross Expenditure Budget (000s)
Human Resources Directorate:	
HR Central Management	311
Policy & Strategy	1,399
HR Business Partners CCC	1,171
HR Business Partners NCC	1,042
Learning & Development	2,140
HR Transactional Services (NCC/CCC)	1,181
MKC HR Operations	925
MKC HR Transactions	807
Total Directorate	8,976
Business Services, Systems & Change Directorate:	
BSSC Leadership	154
Procurement & Insurance	1,235
LGSS Business Systems & Change	3,994
Customer Engagement	396
Business Development	122
Revenues & Benefits (MKC)	4,632
Total Directorate	10,533
IT Directorate:	
Cambridgeshire County Council	2,241
MKC IT	3,906
Northamptonshire County Council	1,177
Strategy & Architecture	253
Digital Services	716
Service Delivery	515
Total Directorate	8,808
LGSS Law and Governance Directorate:	
Democratic Support Services	1,192
CCC Corporate Legal Budget	105
Total Directorate	1,297
Managing Director & Support	

LGSS Services by Directorate	Gross Expenditure Budget (000s)
Managing Director & Support	221
Trading Account (Part)	
Central Trading	-1,246
TOTAL	42,251

Finally, delivering the budget will require delivering the transformation set out in the MKC Outline Business Case agreed by all of the Shareholder bodies' council and the LGSS Joint Committee and also 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 the impact.

Table 6a: Service Pressures

Service area	2017-18 £000	Proposed resolution
<u>Law & Governance</u>		
LGSS Law Ltd (NBC Contract)	62	To be resolved in LGSS Law Ltd.
<u>HR</u>		
HR (NBC Contract)	130	To be absorbed by HR service
HR (HDC Contract)	63	To be absorbed by HR service
Business Transformation	140	To be offset by planned £200k saving in BTT in 2017-18 as part of service realignment with NCC
Learning & Development (NCC)	350	
Schools Recruitment income (NCC)	350	
<u>IT Services</u>	200	To be met from reserves in 17-18. IT to find from 18-19 onwards
<u>General</u>		
MKC income budget pressure	268	£437k shortfall in HR, plus £51k in IT, offset by £220k currently in MKC MTFP. For discussion with CRD MKC.
	1,563	

Table 6b: Savings/Efficiency Plans – Service Reviews

	2017-18	2018-19	2019-20	2020-21	2021-22
	£000	£000	£000	£000	£000
<u>Business Services, Systems & Change</u>					
Procurement/Insurance	-63	0	0	0	0
ERP Contract Changes & New Platform	-400	-600	0	0	0
<u>LGSS Law & Governance</u>					
Democratic Services	-27	0	0	0	0
<u>Finance Services</u>					
Finance	-210	0	0	0	0
Pensions	-63	0	0	0	0
Finance Operations	-50	0	0	0	0
<u>HR</u>					
Learning & Development	-60	0	0	0	0
Payroll	-50	0	0	0	0
<u>IT Services</u>	-180	0	0	0	0
<u>TOTAL</u>	-1,103	-600	0	0	0

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

	2017-18	2018-19	2019-20	2020-21	2021-22	Total
	£000	£000	£000	£000	£000	£000
Finance	-295	-275	-50	-50	0	-670
Audit	-75	-15	-15	-15	0	-220
Transactions	-470	-240	0	0	0	-734
HR Professional	-95	-95	0	0	0	-220
IT	-185	-220	-50	-50	0	-603
DSS	-30	-30	-30	-30	0	-120
Procurement	-40	-75	-60	-35	0	-230
Insurance	-26	-41	-20	-20	0	-127
Debt Recovery (Corporate)	0	0	0	0	0	0
Revenues and Benefits	-287	-370	-731	-260	-313	-1,961
TOTAL	-1,503	-1,361	-956	-460	-313	-4,885
NBC - Revenues & Benefits	43	124	239	105	126	637
Remaining	-1,460	-1,237	-717	-355	-187	-4,248
Original Ask/Requirement						
MKC – Core	580	520	465	415	0	1,980
MKC - Revenues & Benefits	250	250	250	250	0	1,000
LGSS – Core	300	300	200	200	0	1,000
LGSS - Revenues & Benefits	145	73	73	73	0	364
TOTAL	1,275	1,143	988	938	0	4,344
Balance	-185	-94	271	583	-187	96

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 for 2017-18 especially with the move to the new Target Operating Model and the addition of Milton Keynes Council as our third 'shareholder' partner.

There is a self-service approach with LGSS directors, heads of service and senior managers being responsible for management of budgets, i.e. forecasting spend/income, controlling activity and taking mitigating action where necessary. They are supported, advised and challenged by the Business Finance 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 mitigation actions where there is variance. For 2017-18 there will additionally be greater analysis of the establishment particularly to ensure accurate reporting of vacancies.

The full financial position is considered by the LGSS Management Board. 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 Chief Finance Officers of our 'shareholding' partners attend Management Board on a quarterly basis and in the intervening months will consider the financial position at the monthly Finance Community DMT. Joint Committee will be presented with the most up to date month's figures when they meet and will be sent the figures on other occasions, and the LGSS Finance Director or members of team will be available to brief individual 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 the first quarter of 2017-18. This review will naturally take note of the potential benefits available through the implementation of the Agresso 'Gold Build'.

7. Customer Satisfaction Framework

Central to our customer relationship management is our Customer Satisfaction and Engagement Framework. The key components of this are shown below. The framework ensures LGSS receives feedback ranging from chief executives strategic feedback to surveying end users for feedback immediately after a service experience. LGSS is also overlaying key performance indicator data to ensure a rounded view of how it's performing with delivering services to our customers is maintained and enables LGSS to proactively address service improvements to meet changing customer requirements.



The CFO as the lead commissioner has a significant role as the intelligent client 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 is detailed below.

Annual User Satisfaction Survey

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

Annual Executive Interview

This happens each October and is a face to face structured interview undertaken by the LGSS Head of Service for Customer Engagement and Business Development with each Partner's Chief Executive (or nominee) to seek feedback on the strategic relationship, their customer priorities, a view on matters such as the appropriateness of exiting LGSS governance arrangements including and specific key LGSS roles.

End User Satisfaction feedback

At the conclusion of each service provision with an end-user we offer each user a simple, e-survey based opportunity to rate their service experience of us at that time, and these feedback forms are used to enable LGSS to measure the 'in the moment' and on going customer satisfaction for each of the main service areas. This allows LGSS to pick up and address unsatisfactory trends in customer dissatisfaction well before before they become a major issue for our partners.

Comments, Compliments and Complaints

Comments, compliments and complaints arrive via a single point of contact and are then provided to the relevant Heads of Service/Individual within 24 hours.

Key Performance Indicators

Each LGSS Service has performance measured by a set of Key Performance Indicators (KPIs) which look at specifically agreed targets in a RAG status format of regular reports to our partners SMT's and review with the nominated Intelligent Client lead for their LGSS relationship.



Customer Issue Log

Customers can report contractual/performance issues to us at any time and we register and monitor all issues through to resolution and ensure customers are responded to in a timely fashion.