

LOCAL GOVERNMENT SHARED SERVICES JOINT COMMITTEE: MINUTES

Date: Friday 24 November 2017

Time: 2.30pm – 4.45pm

Place: Room 1.02, Civic Offices, Milton Keynes Council

Present: Cambridgeshire County Council (CCC): Councillors Chris Boden, Paul Raynes and Graham Wilson

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

Northamptonshire County Council (NCC): Councillors Robin Brown, Bill Parker and Bob Scott

Others in attendance:

M Ashton (LGSS Director of Business Services, Systems and Change), P Borley-Cox (Head of LGSS Business Transformation), M Bowmer (LGSS Director of Finance), A Cardoza (KPMG), M Cox (LGSS HR Director), I Farrar (LGSS Director of IT Services), S Heap (Committee Services and Scrutiny Manager [Milton Keynes Council]), J Kane (LGSS Managing Director), J Lee (LGSS Head of Integrated Finance Services), C Malyon (S151 Officer Cambridgeshire County Council), D McLure (S151 Officer Milton Keynes Council), H Organ (KPMG), M Savage (Principal Accountant), J Smith (S151 Officer Northamptonshire County Council) and J Trueman (Business Planning Manager)

Apologies: None received

26/17 DECLARATIONS OF INTEREST

None.

27/17 MINUTES – 28 SEPTEMBER 2017

The minutes of the meeting held on 28 September 2017 were agreed as a correct record and signed by the Chairman.

28/17 LGSS BUDGET MONITORING REPORT – SEPTEMBER 2017

Members received the LGSS Budget Monitoring report for September 2017.

It was reported that the overall forecast outturn variance was an overspend of £1,004k on LGSS Services, £586k of which fell to Milton Keynes Council and Northamptonshire County Council to address, leaving a net balance of £418k for the Management Board to manage. Northamptonshire County Council had also asked for an additional £500k of one-off savings.

The Joint Committee noted that the budget savings tracker showed current savings at risk totalling £1,280k of which £870k was as a result of the revised go live date of the new ERP system and that mitigating savings would need to be found to offset any non-deliverable savings.

It was also reported that capital projects within LGSS were all fully funded from either external funding sources or by discretionary funding from the individual authorities. The forecast overspend of £1,167k on capital was mainly due to the revised implementation date for the Agresso Gold Build and the additional specialist support required.

The Director of Finance indicated that historically the overspend position would improve and he anticipated that at year end the budget would be either in balance or showing an underspend.

In response to a question it was noted that the final outturn figure was dependent on the planned use of reserves.

It was resolved to note:

- (a) the financial monitoring position as at 30 September 2017;
- (b) the additional in year savings ask from Northamptonshire County Council;
- (c) the capital monitoring position regarding LGSS capital projects; and
- (d) the summary position on carry forward balances and reserves.

29/17

LGSS ANNUAL REPORT AND STATEMENT OF ACCOUNTS

Further to Minute 15/17 of the meeting held on 28 September 2017, the Joint Committee received the LGSS Annual Report 2016/17, which included the final LGSS Statement of Accounts. The report showed the combined position across all LGSS operational budgets and was produced in addition to the Statutory Accounts for the partner councils.

The Joint Committee noted that there had been a number of changes to the Annual Report and Statement of Accounts since the September meeting, specifically that:

- (a) the branding/design of the document had been updated to incorporate the latest LGSS branding and colour scheme;
- (b) the Managing Director's Introduction had been updated;
- (c) the format/layout of the Comprehensive Income and Expenditure Statement had been revised so that it more fully complied with the requirements of the CIPFA Code of Practice and LGSS Accounting Policies;
- (d) an additional note had been included to the Trading Accounts in order to help provide further information relating to the trading accounts line in the Comprehensive Income and Expenditure Statement; and
- (e) the disclosure relating to the Transactions with Related Parties had been expanded to show the value and nature of intercompany transactions between LGSS and LGSS Law Ltd.

Representatives from KPMG, LGSS's external auditors, reported that the audit of the 2016/17 Statement of Accounts had been concluded and that it was the intention to issue a non-statutory unqualified audit opinion.

The Joint Committee noted that the Audit Report included a number of recommendations and management responses which related to:

- (a) the General Ledger setup and the closure of the accounts;
- (b) Recharges;
- (c) how certain Milton Keynes Council cost centres were dealt with;
- (d) Audit readiness and timings;
- (e) approval of restructuring cost;
- (f) recognition of the LGSS Law Dividend; and
- (g) integration of an additional partner.

The Committee's attention was drawn to a number of adjustments which had been made to the Accounts during the Audit, together with the additional risk to LGSS incurred by adding a third partner.

The representatives from KPMG also drew the Committee's attention to outstanding recommendations from the 2015/16 Audit, which it was noted had now either been implemented, superseded or would be addressed once the Agresso system was operational.

The representatives from KPMG stressed the importance of dedicating adequate resources to manage the closure of the Accounts, particularly as a number of working papers had not been readily available and difficulties were incurred in sample testing which caused delays and additional work. It was pointed out that because of changes to Regulations governing the publication of accounts the timetable for the 2017/18 Accounts would be significantly tighter than that for 2016/17.

The representatives from KPMG brought to the Committee's attention the increase in Audit fee as a result of a need to undertake the additional work.

In response to questions it was noted that:

- (a) it was the view of the Auditor's that LGSS needed to review its financial reporting processes to ensure they were sufficiently robust for the size of the organisation;
- (b) the LGSS Law Dividend was recorded in the LGSS Accounts as LGSS had an income target from LGSS Law;
- (c) the implementation of a single ledger, which would be introduced with the new Agresso system, would significantly improve efficiency; and
- (d) Opus-LGSS People Solutions Limited was not consolidated into the LGSS Accounts as LGSS was not a majority stakeholder, other issues raised with regard to the governance of the company would be addressed in a report to the next meeting of the Joint Committee.

The Director of Finance apologised that it had not been possible to circulate the papers with the agenda for the meeting.

It was resolved to:

- (a) approve the 2016/17 LGSS Annual Report and Statement of Accounts;
- (b) receive a report at a future meeting in relation to the governance arrangements and treatment in the LGSS Accounts of Opus-LGSS People Solutions Limited; and
- (c) note the undertaking by officers to ensure that papers for consideration by the Joint Committee were supplied in a timely manner in line with statutory timescales.

30/17

AGRESSO (UNIT4 BUSINESS WORLD) IMPLEMENTATION

The Joint Committee received an update on the progress on the implementation of the Agresso (Unit4 Business World) system.

It was reported that the latest programme highlight report reflected an improving situation. The first phase of Payroll (PPR1) testing had started as planned and early indications were that the accuracy level thresholds set for successfully exiting of PPR1 would be achieved. This was seen as a significant milestone in particular considering its reliance on data migration.

It was also reported that data migration from the Oracle ERP system had continued to prove challenging due to its complexity, although significant progress had been made. Nearly all data sets had been migrated and reconciled for all clients and full user testing was underway for all system modules.

The Committee noted that the revised forecast cost of the programme was £8,709m which was an increase of £1.572m since June 2017. LGSS had identified a number of measures including further revenue contributions of £268k and other capital funds of £28k to mitigate the increased costs. After these measures were applied a shared pressure of £1.275m would remain. The increased cost was to be discussed with the partner authorities who would be requested to agree the required additional funding. The additional capital costs for both Cambridgeshire and Northamptonshire County Councils would continue to be part mitigated by in-year LGSS revenue savings of £75k pa with effect from 2019-20. Further savings of £75k pa, identified in future years from efficiencies in the Finance Operations and Payroll teams and the LGSS Business Systems team would also be embedded in the LGSS Strategic Plan. These additional savings represented a payback period, in respect of the additional capital, of 5 years.

The Committee was advised that, in order to provide a level of assurance as to the achievability of the revised delivery plan, an external organisation (Agilisys) had been engaged to undertake an independent review. The review resulted in a number of recommendations mainly in connection with the adequacy of the project plan, the associated documentation and the level of experience of the staff to manage what was a very complex project. Resulting from the recommendations from Agilisys the various existing project plans had been consolidated into one overarching Plan.

The Committee was informed that an experienced Senior Programme Manager had been identified and would be starting on 27 November 2017, in line with one of the recommendations in the Agilisys report.

Officers reminded the Committee of the complexity of the project that was considered unprecedented.

Members of the Committee, recognising the importance of the project for both the constituent authorities and LGSS, expressed concerns that an April 2018 'go live' date was still not certain.

In response to questions, the Committee noted that:

- (a) the threshold target for successfully exiting Payroll Parallel Running (PPR) 1 was 80% and that targets increased for PPR tests 2 and 3, with the target for PPR 3 being 99% accuracy with no more than a £1 deviation. If any of the tests did not meet their target it was likely that the contingency arrangement of retaining Oracle and SAP would need to continue beyond April 2018;
- (b) LGSS did not support the view of Agilisys with regard to having only two PPR tests, as it was not believed that two tests sufficiently tested the accuracy of the payroll system and it would mean starting the testing again which would likely add additional time into the project;
- (c) the S151 officers from each of the partner councils had always been members of the ERP Gold Programme Board and they were also briefed on progress on a monthly basis;
- (d) it was not possible to give a 100% assurance that an April 2018 'go live' date would be achieved, but there was some confidence that PPR 1 would continue to achieve its targets; and
- (e) the new Senior Programme Manager would have free rein to review the project and report on the achievability of an April 2018 'go live' date.

Members suggested that if the accuracy targets for the PPR 1 might not be stringent enough to give confidence to move to the next stage of testing.

The Committee considered how it should be advised of the Senior Programme Manager's findings on the 'go live' date, and what the decision making arrangements should be to extend the implementation project beyond April 2018, if that date was unlikely to be achieved.

It was resolved to note:

- (a) progress on the implementation of Agresso (Unit4 Business World);
- (b) the additional funding requirement being requested of the partner councils;
- (c) the recommendations in the Agilisys report and the LGSS responses; and
- (d) that the new senior Programme Manager would review (and revise as he sees necessary) the current programme plan, which will then be scrutinised at the next ERP Gold Programme Board in December (with consideration being given that the current 21st date being brought forward, if required) and if the ERP Gold Programme Board is not confident that an April 2018 'Go Live' date is achievable then an action will be taken to convene the Joint Committee asap as soon as possible (in December) to review this matter again.

31/17

PROPOSED LGSS REVENUES AND BENEFITS JOINT COMMITTEE.

It was reported that the Chair of the Committee would usually represent LGSS on the LGSS Revenues and Benefits Joint Committee. However, as the Chair had been appointed by Milton Keynes Council as its representative to the Revenues and Benefits Joint Committee, he was unable to also represent LGSS.

The Joint Committee considered appointing an alternate.

It was resolved to:

- (a) co-opt the LGSS Vice Chair to the LGSS Revenues and Benefits Joint Committee;
- (b) note that the Vice Chair is co-opted as a substitute as a result of the current LGSS Chair (Councillor Middleton) also being the member for Milton Keynes Council on the Revenues and Benefits Joint Committee; and
- (c) note that the co-opting of the LGSS Vice-Chair to the Revenues and Benefits Joint Committee is in line with the governance arrangements for that Committee.

32/17

LGSS JOINT COMMITTEE LEAD MEMBERS

It was reported that prior to Milton Keynes Council joining LGSS and appointing members to the Joint Committee, the role of Chair and Vice Chair rotated between Cambridgeshire and Northamptonshire County Councils on an annual basis. This resulted in representatives from both partner Local Authorities being briefed on major issues affecting the Joint Committee. Since Milton Keynes Council joined LGSS in April 2016 it had meant that one of the partner authorities did not occupy either the position of Chair or Vice-Chair.

The Joint Committee accordingly considered whether a Lead member should be appointed from the Partner Authority which neither held the Chair nor Vice-Chair position in order that the Lead Member might be involved in briefings with the Chair and Vice-Chair.

It was resolved to:

- (a) agree to the creation of the role of Lead Member for the partner Local Authority that is not occupying the Chair or Vice- Chair positions of the LGSS Joint Committee; and
- (b) confirm the appointment of Councillor R Brown as the Lead Member for Northamptonshire County Council for 2017/18.

33/17

EXCLUSION OF PRESS AND PUBLIC

It was unanimously resolved to exclude the press and public from the meeting for the following item on the grounds that the item contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed: information relating to the financial or business affairs of any particular person (including the authority holding that information).

34/17

NEW BUSINESS DEVELOPMENT

The Committee received an update on new business development activities and business activities with existing customers.

It was unanimously resolved to note the update provided.

Chairman