LGSS JOINT COMMITTEE

Date:Thursday, 12 July 2018

Democratic and Members' Services
Fiona McMilan
Deputy Monitoring Officer
Shire Hall
Castle Hill
Cambridge
CB3 0AP

11:00hr

Room 214, Angel Square
1 Angel Square, Angel Street, Northampton, NN1 1ED

AGENDA

Open to Public and Press

To resolve that the press and public be excluded from the meeting on the grounds that the agenda 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)

8 LGSS Operating Model Review

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

9 New Business Development

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

The LGSS Joint Committee comprises the following members:

Councillor Robert Middleton (Chairman) Councillor Paul Raynes (Vice-Chairman)

Councillor Ric Brackenbury Councillor Michael Clarke Councillor Keith McLean Councillor Andy Mercer and Councillor Bob Scott Councillor Chris Boden Councillor Sebastian Kindersley

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

Clerk Name: Daniel Snowdon

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These arrangements operate in accordance with a protocol agreed by the Chairman of the Council and political Group Leaders which can be accessed via the following link or made available on request: http://tinyurl.com/ccc-film-record.

Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution https://tinyurl.com/CCCprocedure.

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LGSS JOINT COMMITTEE: MINUTES

Date: Wednesday 28th March 2018

Time: 11:00am – 1:35pm

Place: Room 128, Shire Hall, Cambridgeshire County Council

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

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

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

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

Apologies: Councillors McLean, Parker and Wilson

34/18 DECLARATIONS OF INTEREST

None.

35/18 MINUTES – 24 NOVEMBER 2017

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

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

A Member drew attention to the report requested by Members regarding the governance arrangements of Opus-LGSS People Solutions Limited and expressed disappointment that it was not on the agenda for the meeting. Officers confirmed that the report had been circulated by email following the cancellation of the February meeting of the LGSS Joint Committee and confirmed that the report would be presented at the next meeting.

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

36/18 INTRODUCTION FROM THE NEW INTERIM DIRECTOR OF LGSS

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

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

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

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

The Joint Committee noted the appointment of two consultants that would provide additional capacity during the operating model review. Engagement workshops would take place with a neutral approach that would provide critical challenge to the organisation. It was anticipated that the Interim Managing Director would report at the end of May 2018. Following staff engagement sessions, 245 questions from staff had been consolidated into themes with governance and identity that were the two strongest to emerge.

In welcoming the introduction from the Interim Managing Director Members:

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

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

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

37/18 LGSS BUDGET MONITORING REPORT – JANUARY 2018

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

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

During discussion of the report Members:

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

- Drew attention and expressed concern regarding the performance of LGSS Law and questioned the rationale of figures for LGSS Law being reflected within the overall LGSS performance when it was a separate organisation. Officers conceded that the governance arrangements were not as explicit as they could have been and confirmed that there was no governance provided through the LGSS Joint Committee to LGSS Law, however there were important relationships between the two organisations financially.

- Noted that LGSS Law could be incorporated within the scope of the Interim Managing Director's review and that a significant amount of work had been undertaken to address the issues which were largely historical. LGSS Law was a young company that had doubled its turnover in 3 years. Members commented that elected Members drove the change in governance arrangements for LGSS Law so that it was now a free standing company and it was inappropriate for its finance figures to flow through the main finances of LGSS.

- Drew attention to the use of carry forwards regarding underspends and questioned whether the main issue was a spike in the trading position at the year-end when the LGSS service line had worsened by £100k since November 2017. Officers explained that there were limited earmarked reserves set out in appendix 2 of the report had been reported during the year and those not being used for their original intended purpose would be used in order to offset the overall financial position. . The impact of the delayed delivery of the Agresso ERP system was reflected across a number of the service lines. The largest variance was the performance of LGSS Law.

- Commented that it was not clear how the deficit had arisen from the report and expressed concern that it was not clear that actions recommended at the last meeting of the Joint Committee had not been taken sufficiently seriously and completed.

- Confirmed with officers that all carry-forwards totalling £1.5m were committed in November 2017 and were not available.

- Expressed concern that issues within the budget monitoring report were reflected in the Best Value inspection undertaken at Northamptonshire County Council. Officers highlighted the Interim Managing Director's review which would include a robust review of the budget that would ensure a tight process. The early reporting of variances was critical in order to effectively manage the budget. Attention was drawn to the culture of the organisation and the importance of an environment where concerns could be raised.

- Councillor Brackenbury, seconded by Councillor Middleton with the agreement of the Joint Committee proposed that the Joint Committee note the recommendations with great disappointment.

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

(a) the financial monitoring position as at 31 January 2018;

(b) additional options are being explored to address the current £241k forecast shortfall;

(c) the summary position on carry forward balances and reserves

(d) the capital monitoring position regarding LGSS capital projects; and

(e) note the additional in year savings ask from NCC.

38/18 LGSS STRATEGIC PLAN AND 2018/19 BUDGET

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

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

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

- Expressed concern that the removal of the trading contingency of £55k set out in paragraph 3.2 removed headroom and increased risk. Officers explained that the growth strategy would be reviewed as part of the operating model review.

- Drew attention to the requirement for the goals to be relevant to LGSS and not related to separate organisations such as LGSS Law.

- Questioned how the provision of LGSS IT services within the health sector would promote integration between health and social care. Officers explained that the role of LGSS was to assist in providing linkages between the two sectors through sharing of data and systems that could assist with demand management and discharges from hospital.

- Queried table 3 contained on page 18 of the Strategic Plan, in particular the base budget for 2017/18 that did not correlate with the base budget contained within the Budget Monitoring report. Officers agreed to provide an explanation to Members.

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

It was resolved to:

(a) Consider the update to the LGSS Strategic Plan and approves the proposed budget for 2018/19;

(b) Review the Strategic Plan and budget mid-year

(c) Remove the term 'next generation working' from the strategic plan.

39/18 EXTERNAL AUDIT PLAN

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

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

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

It was resolved to note the External Audit Plan

40/18 AGRESSO (UNIT 4 BUSINESS WORLD) IMPLEMENTATION

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

During the course of discussion Members:

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

It was resolved to:

a) Note the progress on the implementation of the programme to implement the Agresso (Unit4 Business World) ERP system.

b) Thank and congratulate officers for recovering the project.

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

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

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

41/18 EXCLUSION OF PRESS AND PUBLIC

At the discretion of the Chairman to allow an additional agenda item, it was resolved that the press and public be excluded from the meeting for the following item on the grounds that the item contained exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for the information to be disclosed: information relating to the financial or business affairs of any particular person (including the authority holding that information).

42/18 NEW BUSINESS DEVELOPMENT

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

It was resolved to note the update provided.

Chairman

LGSS summary of achievements 2017/18

LGSS Joint Committee 12 July 2018
Agenda item no: 3

Milton Keynes schools and academies joined LGSS aligning service provision across the three LGSS partners

Commenced strategic shared service engagement with Cambridgeshire and Peterborough

£7.2m savings delivered through contract reviews and new procurement activities across the LGSS partnership, which provided a collective ratio of 6:1 when compared with the cost of the Procurement team

Successfully negotiated and agreed an extension to the existing Northampton Borough Council contract

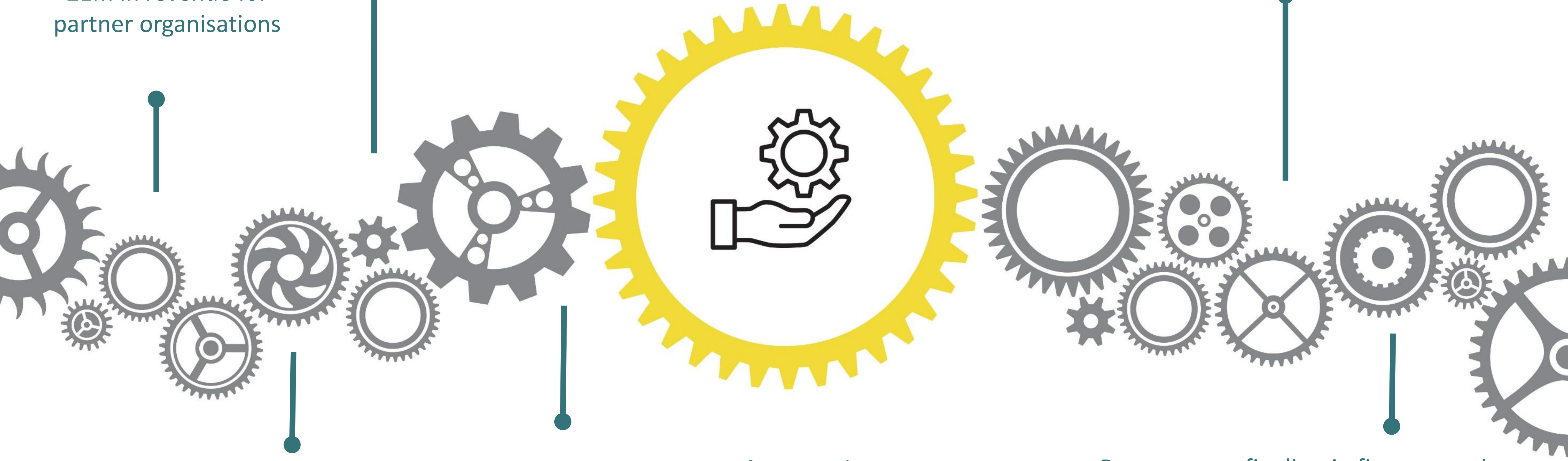
ERP Gold launched in April 2018, facilitating c. £10m savings for partners over 7 years

Corporate project achievements

Revenues & Benefits successfully negotiated over £950k of debt into active recovery and generated more than £1m in revenue for partner organisations

Opus LGSS joint venture recruitment agency launches across Cambridgeshire and Northamptonshire to achieve financial savings of c. £500k against a target of £167k, by reducing agency costs

LGSS Customer Satisfaction and Service Improvement Framework achieves ‘Complaint Plus’ from Customer Service Excellence for the third consecutive year



Horsham District Council joined as a Revenues & Benefits partner at the start of 18/19, providing further efficiencies through scale and service improvements

Revenues & Benefits won the 2017 IRRV Revenues Team of the Year award and were finalists in the IRRV Excellence in Partnership Working category

Procurement finalists in five categories at the Procurement Government Opportunity Awards 2017/18

Business Services, Systems & Change

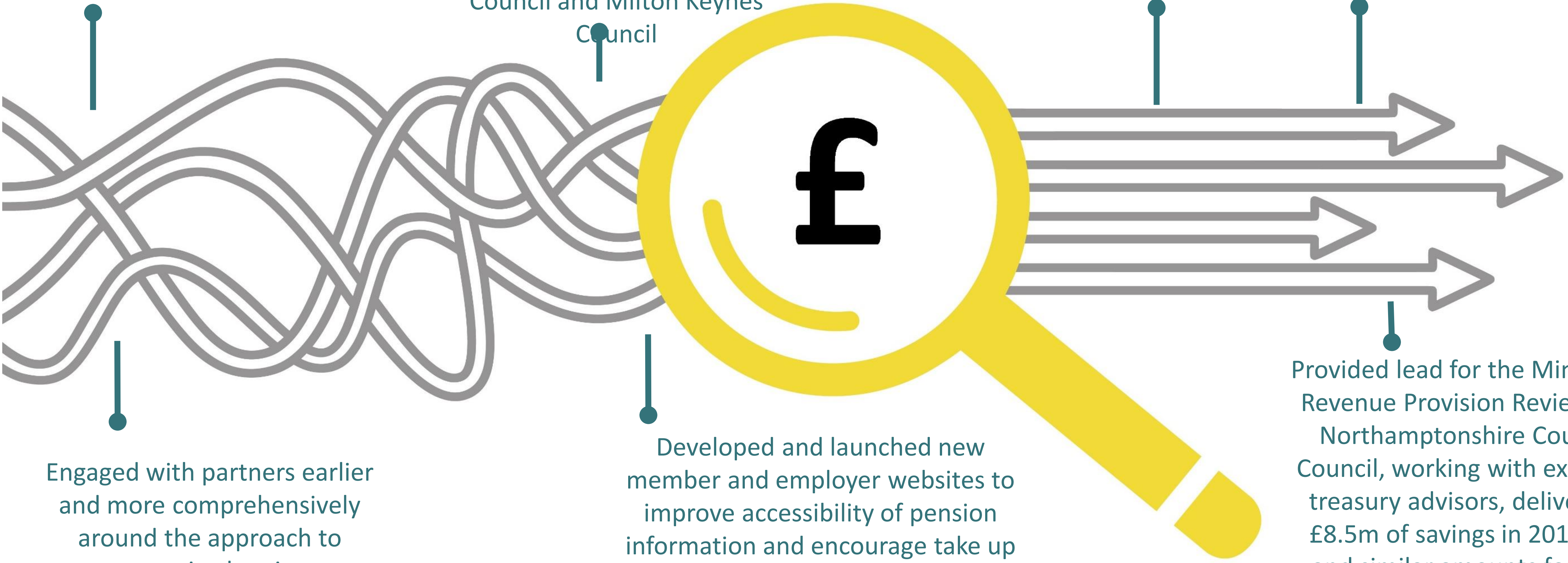
LGSS

Worked with Public Sector Audit Appointments to secure a single external auditor across all LGSS partners. Completed and submitted all VAT returns on time

Implemented the appointeeship and deputyship Customer Relationship Management system on the LGSS domain for Cambridgeshire County Council and Milton Keynes Council

Delivered the 2016/17 annual governance statement for Norwich City Council in mid-June 2017 in preparation for the new earlier statutory deadline for 2017/18 accounts

Supported the testing requirements and implementation of ERP Gold and roll out of training to the wider business, on top of business as usual



Engaged with partners earlier and more comprehensively around the approach to strategic planning

Developed and launched new member and employer websites to improve accessibility of pension information and encourage take up of member self-service

Provided lead for the Minimum Revenue Provision Review for Northamptonshire County Council, working with external treasury advisors, delivering £8.5m of savings in 2017/18 and similar amounts for the medium term

- Enabled major organisational change at Northamptonshire County Council: created and dissolved companies; managed legal, people and pay implications; integral to behavioural change and transformation as part of the One Angel Square build, facilitated £800k agency social worker savings through innovative recruitment solutions
- Improved Employment Essentials by simplifying policy, developing and empowering line managers to deal with workplace concerns (previously grievances) and underperformance
- Re-launched a new HR advisory team in Milton Keynes Council, focussed on providing more direct business partner resource with clear role definition and achieving the business case efficiencies
- Integrated Peterborough City Council and Cambridgeshire County Council leadership teams
- Learning and Development became an official apprenticeship academy delivering apprenticeships and qualifications internally and externally
- Procured a shared occupational health provider for LGSS partners and implemented a new approach using an in-house physician
- Payroll services independently accredited by Customer Service Excellence for the second year and achieved 'substantial compliance' from internal audit
- Engaged the workforce through largescale employee surveys in two councils and focus groups (covering 3000 employee views) to enable development of people and action plans

Shortlisted for the ‘Improving the Value of NHS Support Services’ category of the Health Service Journal Awards in partnership with Northamptonshire Healthcare NHS Foundation Trust (NHFT)

Upgraded housing systems and rolled out Microsoft Office 2013 across Northampton Borough Council, Northampton Partnership Homes and Northampton Leisure Trust

LGSS Digital and First for Wellbeing delivered Octigo, a health and wellbeing assessment tool for Derbyshire County Council

Rapidly and effectively responded to a global cyber attack, particularly affecting the NHS, earning commendation from the NHFT chief executive

Won a government grant to fund the implementation of chatbot technology at Milton Keynes Council to respond to common, low complexity planning enquiries, enabling more effective use of professional and technical resource

Implemented uninterruptable power supply for Cambridgeshire County Council, further improving network stability and upgraded 3000+ machines to the Microsoft Windows 10 operating system

Since 2016 there has been a 20% reduction in formal complaints

Since 2013 there has been as 12% increase in overall customer satisfaction

97.2% of Cambridgeshire and Northamptonshire county council delegates attending training delivered by Learning & Development felt the sessions were of a 'value to their work'

Availability of IT core systems between 8am and 5pm exceeded 99.8% across the LGSS partnership IT networks

IT system availability at Northampton Borough Council and Northampton Partnership Homes exceeded 99.9%, and Norwich City Council 100% within their contracted timeframes

99.9% payroll accuracy recorded across the LGSS partnership for 2017-18 (total payroll payments in excess of £167m for the year)

Financial assessments completed within 10 working days between August 2017 and March 2018 rose to 91.8% (between April and July 2017 performance was 65.8%) following the introduction of a telephone assessment process for Northamptonshire County Council. In Milton Keynes Council, performance for 2017-18 was 100%

Performance achievements

Agenda Item No:4

ERP Gold Update

To:	**LGSS Joint Committee**		
Meeting Date:	**12 July 2018**		
From:	**LGSS Director of Business Services, Systems and Change**		
Electoral division(s):	**All.**		
Forward Plan ref:	**For key decisions Democratic Services can provide this reference**	*Key decision:*	**No**
Purpose:	**To provide the Joint Committee with a progress report on the ERP Gold system and any post go-live issues**		
Recommendation:	**That Joint Committee note progress on the implementation of the ERP Gold system**		

	Officer contact:
Name:	Mark Ashton
Post:	LGSS Director of Business Services, Systems & Change
Email:	mashton@northamptonshire.gov.uk

1. BACKGROUND

1.1 Joint Committee received an update, via email, on this programme on 17th May 2018, confirming the position 6 weeks following go-live. There have been issues as a result of bedding in new processes. Considering the scale of the implementation across three large local authorities, the launch went well but the team continues to focus robustly on addressing the bedding in issues most notably in Accounts Payable. Further detail is provided below.

1.2 Given that there are new members on the Joint Committee, following is a brief recap: Cambridgeshire and Northamptonshire County Councils (CCC and NCC) signed off the business case for the replacement of their shared ERP (Enterprise Resource Planning – large scale business system integrating HR, Payroll and Finance) Oracle system in May 2015, followed by a procurement process and planned implementation for April 2017.

1.3 During the second half of 2015 LGSS began working on a joint business case for an extended shared service with Milton Keynes Council (MKC). MKC were also in the process of considering their options to replace their old SAP system which was out of support from July 2017. It was jointly agreed between the three Councils that there were major business benefits from a common ERP systems implementation, so the project was expanded to include the ERP systems for all three Councils which included an updated ERP business case delivering £9.86m of cumulative savings over 7 years (excluding the £4.2m of shared services saving benefits from the jointly agreed business case for all three councils resulting from MKC joining).

1.4 In addition, the replacement of SAP afforded MKC additional savings within their retained budgets. At the time and despite the additional complexity of adding a third Council and a SAP system migration requirement, it was agreed to still re-plan and resource but to try and hold the original 'Go-Live' date of April 2017 (which was primarily driven to help mitigate the July 2017 MKC SAP out-of-support service constraints at that time).

1.5 Over the past two years a number of factors contributed to make the original April 2017 'Go- Live' date progressively unrealistic. MKC's SAP requirements added more complexity than originally envisaged. Implementing across three partners has been a greater challenge given the need to migrate three legacy data sets from two very different legacy ERP systems (i.e. SAP for MKC and Oracle for CCC and NCC). There was the necessity to accommodate unforeseen major changes in Northamptonshire County Council's organisation for its newly formed federated vehicles. This added very significant new demands onto the existing LGSS ERP 'business as usual' resources. In CCC the already stretched LGSS IT resources had to be focused on stabilising core IT Infrastructure problems affecting all existing CCC systems and services during the October 2016 to April 2017 period.

1.6 There has also been change to the scope of the project since its inception, which although limited did place an additional burden on delivery and cost for an already very aggressive original go-live of April 2017. With hindsight it was perhaps too challenging to have held the original April 2017 go live date for so long.

1.7 On 24th November 2017, the Joint Committee received a further update on progress with the programme, a revised cost forecast and the findings of an external review by Agilisys to provide assurance on the achievability of the revised delivery plan. Following that meeting, an update was provided by email to Joint Committee members on 14th December, which included a report from the new Senior Programme Manager. The report outlined the outcome of a major review of the revised programme plan. The plan, supporting the April 2018 delivery date, was endorsed by the Programme Manager and approved by the December meeting of the ERP Programme Board.

2 CURRENT PROGRAMME UPDATE

2.1 The programme went Live as per plan in April 2018. This was a considerable achievement from the teams considering the scale and complexity of the deliverable.

2.2 We have delivered a good platform which now needs to be stabilised and enhanced.

2.3 General feedback from users is that the system is easier to use than SAP/Oracle. We still need to deliver Two Factor Authentication (TFA), the outstanding defects, incidents and improvements in the light of live running and a solution for a number of manual work arounds currently in place.

2.4 As is common with many programmes of this scale and complexity, there have been a number of post go-live issues which have undoubtedly had an impact on the performance of the various Helpdesks, in particular Finance and HR/Pay. The bulk of issues are related to Accounts Payable (AP) processes, queries resulting from year-end closedown, supplier records not being visible and issues around the implementation of Tradeshift (Procure-to-Pay web portal) leading to issues with supplier payments.

2.5 By mid-June, almost 250,000 transactions had been processed through the system, totalling £342m. Additional resources have been allocated to the AP team and they continue to work through open incidents and review processes to allow more issues to be dealt with by the Finance Operations Helpdesk. Daily calls are taking place across the Finance teams and with the Deputy 151 Officers to ensure urgent issues are prioritised and effectively resolved.

2.6 In Payroll over 20,000 employees were paid on time with the first payroll achieving the historical accuracy rates of 99.5% maintaining previous BAU performance. We have now run payrolls for three months using ERP Gold across our Councils and schools. The HR Helpdesk has been busier than normal, which was expected following the implementation of a new system.

2.7 There have been a number of data processing errors on each of the payrolls, although it should be noted that in business as usual environments this can occur as well for a variety of reasons. Where these have been identified we have corrected payments as quickly as possible (on or before the actual pay date), minimising where possible any issues for the individuals in question. Ongoing dialogue with service managers continues and any systemic or management issues are being urgently addressed.

3 Initial Reflections

3.1 A more detailed explanation of some of the key issues and resolution follows. However, at a high level there are some key lessons to be learnt. Given the size and complexity of the undertaking, issues were going to arise, and these issues could have been handled better. Most notably around early escalation of issues and then better communication and engagement with services.

3.2 AP has caused the greatest problems. It's clear that a realistic work plan was not in place to ensure an appropriate level of resource to manage planned activity as well as ensuring a clear and prompt escalation from teams when issues emerged. This has been addressed with the team and new management and additional capacity has been in place since May.

3.3 Backlogs are reducing and updated performance is being monitored with the partner Councils.

3.4 Feedback and engagement with service managers and Directors should have been better when issues arose. This is something as part of the LGSS Operating Model review that we recognise and must improve.

3.5 However, it is the case that some of the issues that have arisen have been labelled as ERP but are not directly ERP: eg. NCC Olympus Care Services was included in the programme late as this organisation transferred back into NCC. The risks associated with this were flagged but wider issues arising at the same time as ERP implementation have been conflated. Invoices that were held in services for a variety of reasons and then coming through the system after Go-Live (late) have been identified as ERP delays.

4 Communications and Training

4.1 There was an extensive programme of communications and training during the final stages of the programme before Go-Live.

4.2 Corporate Council channels were the primary mediums of communication with key messages first cleared with Programme Board members. Members of the ERP Gold Network and Finance and HR leads then disseminated communications to service managers across the Councils.

4.3 This was supplemented by a microsite, sign posted in Informer, which held numerous articles and by the end of June had over 38,000 views since January.

4.4 The ERP Gold Network comprised 129 people nominated by the Councils to receive programme updates, attend demonstration and put questions to the Programme Team.

4.5 Based on learnings elsewhere, an early decision was made linked to resourcing and cost for both services and the programme that 'sheep dipping' all managers in a classroom environment on the new system would not be cost effective. Therefore an extensive suite of training and reference material was been made available through i-Learn. This includes Quick Cards set out a jargon free step by step reference for all major processes and activities in ERP Gold. This was supported by workshops made available at each of the Councils and super-users who could help colleagues.

4.6 On a programme of this size communication and engagement can always be better. It's clear that customer experience and engagement should have been a stronger element of the final stage planning. Steps were taken late in the programme but this should have been done earlier. After the system went Live, communication back to services on issues raised through Lets Go Direct could have been better.

4.7 Immediate action is being taken and LGSS is launching a project on the 11th July to review the Lets Go Direct environment. This will be led by Claire Townrow and Martin Cox and will address both systems and processes so that an improved end to end customer experience is delivered.

5 ERP Gold System and wider Operational Issues

5.1 A number of issues referred to above have been circulating during the past three months and we wanted to sight Joint Committee on these issues; the cause, current action and expected dates of resolution. It is also worth noting that service delivery teams in LGSS have been developing their knowledge and understanding of the new system, as well as end-users which will naturally result in increased processing and response times for a period whilst the new system continues to bed in.

6 Accounts Payable Backlog

Issues

6.1 As part of the ERP Gold implementation a new process was brought in – supplier self-service. This enables the supplier to manage Purchase Orders (POs) and invoices through Tradeshift - a web portal. This should deliver faster payment to suppliers and a streamlined process. All invoices submitted through this portal are being processed on time, as they do not require any manual intervention, providing the PO has been appropriately receipted by the service recipient.

6.2 However, a backlog was created during the planned six day cutover period between systems where no processing was possible. It also emerged that the AP team were behind processing current year invoices for those suppliers not using Tradeshift. Targeted and robust action was taken. As at Monday 2 July the team are fully up to date manually inputting new invoices into Tradeshift and validating them through into ERP Gold, but there are 3,490 (circa. 9,000 in early May) invoices in the system of which 1,341 are not yet due for payment, 997 were parked for non-payment in the legacy systems and are subject to further investigation, 654 are out in services for action leaving 498 to be worked on by the Accounts Payable team.

6.3 Historical resourcing issues in the AP Team have had a significant impact since Go Live. This was as a result of restructuring and the departure of the previous Head of Service together with other team vacancies held to enable the integration of teams and delivery of committed MTFP savings.

6.4 CHAPS/Emergency Payments required to address urgent and important supplier issues were also more time consuming to manage and diverted resource from the actual day to day processing.

6.5 For those suppliers not on Tradeshift invoices are received in hard copy or as PDFs in emails. Initially the AP team had to manually input these into Tradeshift as well as then subsequently validating them to transfer into ERP Gold. This has increased work in the AP team in the short term.

Actions to date.

6.6 Staff vacancies have been addressed. An interim Head of Service is in place, he has extensive AP experience. The new permanent Head of Service starts 9 July.

6.7 There have been daily progress meetings involving the Deputy S151s, Finance Director, business systems and the AP team, since 8 May to drive the necessary improvements.

6.8 There is a schedule of all of the 997 parked invoices which the Finance Business Partners are working through with the business. In the event that any do need paying the schedule will be used as the basis of authorisation and payment made without further workflow.

6.9 Agency resource was initially brought in to bring the team up to full strength and an additional four processing staff have been recruited to bring the backlog down over a shorter timescale.

6.10 Interface issues with ‘feeder’ systems have been resolved and payments initiated through CareFirst and other feeder systems are now operating to time.

6.11 As of the week commencing 4 June there is an automated process to input hard copy and emailed invoices into Tradeshift taking the pressure off the team.

6.12 There are a significant number of suppliers who have still not signed up to Tradeshift and work is ongoing to encourage them to do so.

6.13 There will always be invoices in the system at various stages in the process. It is anticipated that normal operating will be achieved by the end of June.

7 Incorrect budget management hierarchy

Issues

7.1 Approval is required from the nominated budget manager, dependent on delegation levels, to generate a Purchase Order in the system. The new system operates very similarly to Oracle.

7.2 As part of the implementation the agreed management hierarchy was loaded into the system but there were historical inaccuracies and therefore mapping issues across all clients for day one. This was most acute at NCC where there’d been changes to approval rights following the S114 notice and revised approvals routes.

7.3 This had an impact in the AP team as invoices had to be redirected.

Actions

The budget management hierarchies are now corrected and have been agreed with the Deputy S151 Officers.

8 Budget

8.1 The previously revised forecast cost of the programme was agreed by the three partner authorities. The programme implementation will deliver within that revised budget.

9 Next Steps

9.1 This phase of the programme was to deliver a new ERP Gold baseline across the three partner councils, replacing the existing Oracle and SAP products. This has been delivered.

9.2 The ERP Programme Board has noted that a follow up release is needed to ‘complete’ a number of incidents raised during the programme that were not delivered in this first phase. Alongside these incidents, there will be changes following live running that will need to be addressed and additional business requirements will be identified. Typically, a follow up release will be needed 6 to 9 months after go live. A business case with a cost / time / resource assessment will be developed for consideration by the ERP board before coming forward to Joint Committee. This work has already commenced.

9.3 It was always envisaged that ERP Gold would be the vehicle to drive further growth for LGSS, particularly in support of the transactional service areas. To-date we have had a number of conversations with other Local Authorities (Hertfordshire, Tri-Boroughs and Lincolnshire) but due to the fact that we didn’t have a live system, the conversations never progressed. Once the current system has stabilised and is shown to be a demonstrable platform, we plan to develop a marketing campaign to scope the opportunity in the Local Government marketplace. Part of this approach will be to develop the commercial proposition.

9.4 In the short to medium term, the potential creation of two Unitary Councils in Northamptonshire, should be high on our list of target Authorities. Also we understand that a number of the Districts in the County already use versions of Agresso and are open to discussion.

Agenda Item No:5

Opus LGSS People Solutions - Governance

To:	**LGSS Joint Committee**		
Meeting Date:	**12 July 2018**		
From:	**LGSS Director of Business Services, Systems and Change**		
Electoral division(s):	**All.**		
Forward Plan ref:	**For key decisions Democratic Services can provide this reference**	*Key decision:*	**No**
Purpose:	**To provide a background to the establishment of Opus LGSS People Solutions and treatment in the LGSS Accounts of Opus-LGSS People Solutions Limited**		
Recommendation:	**The Joint Committee is asked to note the contents of the report.**		

	Officer contact:
Name:	Mark Ashton
Post:	LGSS Director of Business Services, Systems & Change
Email:	mashton@northamptonshire.gov.uk

1. BACKGROUND

1.1. This paper sets out the background and the Governance arrangements for Opus LGSS People Solutions. The original paper that was distributed to the Joint Committee on 28th March 2018, is attached in Appendix 1.

1.2. The objective from creating Opus LGSS was to provide CCC and NCC with a route to have greater influence and control over the recruitment of agency workers and to secure in a more cost effective way of securing agency workers. The creation of a new company in partnership with Opus People Solutions (Opus), who are owned by Suffolk County Council (SCC) provided the opportunity to build on the existing success of Opus in SCC, avoiding the set up costs of CCC and NCC going it alone and allowing the LGSS owners to influence the direction of the company.

1.3. Opus LGSS People Solutions Ltd (Opus LGSS) went live with CCC in January 2017 and for NCC in August 2017 and has achieved savings for CCC of £165k in 2017/18 (Target - £65k) and for NCC savings in the first 8 months totalling over £325k (Target - £102k). The targets were developed as part of the planning and in the case of CCC were shared and discussed at SMT on several occasions and also went through in detail with Finance representatives on behalf of the S151 Officer The target for direct supply was based on what Opus thought was achievable and this was validated by the experience in Kent who also have their own agency. The main reason for the original savings targets being exceeded is that Opus LGSS have achieved a higher level of direct supply than originally forecast.

1.4. The operating model for Opus LGSS is that they act as a recruitment agency and register agency workers directly for opportunities in CCC and NCC and supplement this with an extended supply chain of direct agency providers for those assignments they cannot fulfil directly.

1.5. The approach has focussed on targeting direct savings for both Councils, spreading the overheads of Opus LGSS over a wider base in the short term and in the medium term create a surplus and a return via dividends to shareholders.

1.6. CCC and NCC had historically contracted for agency workers via either a managed service provider, via frameworks with specific agency providers or via a vendor neutral model . Under these previous supply models neither Council were totally satisfied with the provision as they did not feel the approach offered value for money and that they had little influence or control over the recruitment or quality of agency workers secure that form part of the overall workforce. This dissatisfaction led to off contract spend and a desire by the then Chief Executive Dr Paul Blantern at NCC and other Local Authority partners creating their own agency company http://www.communitycare.co.uk/2014/07/18/councils-create-agency-supply-temporary-social-workers/.

1.7. In addition to the desire of the NCC CEO to pursue the option of this approach was also supported by the then Director of Human Resources and CCC and this led to members of the LGSS Human resources team visiting Suffolk County Council (SCC) and Opus to review how the model worked in SCC.

1.8. The desire to look at alternative approaches resulted in options being developed to test the feasibility of moving away from the traditional Managed Service Provider (MSP) or Vendor Neutral approach.

1.9. A number of options were considered and the preferred option identified was to create a new company (called Opus LGSS People Solutions Limited) with Opus, CCC and NCC being owners and having joint control via LGSS. This offered the opportunity for CCC and NCC to secure agency workers directly and to meet their objectives. The option benefited from the experience already gained in Suffolk, the opportunity to share overheads and go live in a shorter time scale and with less risk than creating a standalone agency.

1.10. As a jointly owned local authority company it benefits from the Teckal exemption as defined in Section 12 of The Public Contract Regulations 2015 that defines where a procurement process is not required where a public contract exists between two entities within the Public Sector.

This exemption requires three primary control tests to be met including:

- Exercising control over the company, which includes joint control by multiple local authorities
- No more than 20% of the business of the company being with organisations other than the owners of the company
- No private sector capital participation in the company

The set up and on-going management of Opus LGSS has been structured to ensure these tests are met.

1.11. Whilst the creation of the new company, that is partly owned and controlled by CCC and NCC has meant that this part of the activity did not need to be put out to competition the opportunity was still taken to advertise and go to market for the extended supply chain that supports Opus LGSS to supply CCC and NCC and to date c90 agency providers are signed up to ensure continuity of supply.

1.12. Once approval was given a small project team was set up with a dedicated project manager and input from Procurement, Human Resources and LGSS Law who advised on the company structure, Shareholder Agreement and Service Agreement. The LGSS HR Director was the SRO until Mark Ashton, Director Business Services, Systems and Change took over this role after his appointment.

1.13. General Purposes Committee (GPC) gave approval for the creation of the new company in July 2016 with responsibility being delegated to the LGSS Managing Director. A subsequent update on the progress of the new company was provided to GPC in September 2017.

NCC Cabinet also gave approval for NCC to become part owners in the new company in November 2016, again the arrangements to facilitate this were delegated to the LGSS Managing Director.

2. Opus LGSS Company Structure

2.1. Opus LGSS People Solutions Limited was set up as a new company and a shareholder agreement exists between Opus, CCC and NCC as well as a service agreement between Opus LGSS, CCC and NCC.

2.2. The Board of Opus LGSS is made up of 4 Directors who each have equal voting rights. Two directors Mark Ashton and Paul White were put forward by the LGSS Managing Director to act as the shareholder representatives for CCC and NCC and there are also 2 Directors representing Opus. The shareholder agreement also details a number of reserved matters that need to be referred back to the Chief Executive of the shareholders in both CCC and NCC.

2.3. The shareholding of the company is currently based on Opus owning 60% of the shares and CCC and NCC owning 20% of the shares each.

2.4. Milton Keynes Council have recently also agreed to become a shareholder in the company and will go live in September 2018 and this will result in the CCC, MKC and NCC owning 48% of the shares between them. Whilst the % shareholding of CCC and NCC will reduce slightly this will be offset by an anticipated increase in the overall dividend payable as a result of MKC joining.

2.5. Board meetings for Opus LGSS are held monthly.

3. Issues

3.1. From a governance perspective Opus LGSS has the same issues and challenges as have recently come to light with LGSS Law in that the shareholding in the company is held by the respective Councils and therefore any financial implications as a consequence of the performance of the company, including payment of dividends, will fall to the account of the shareholding councils. The original intent was that these projected dividends would flow back to LGSS to be netted off against the delegated budgets of the respective councils, essentially being netted off against the overall cost of LGSS services to CCC and NCC. Constitutionally the LGSS Joint Committee has no direct control over Opus LGSS, but under current arrangements, the financial performance of Opus LGSS will impact on LGSS.

3.2. Even though the setting up of the governance arrangements for Opus LGSS were delegated to the LGSS Managing Director at the time, it is recommended that in light of the challenges with LGSS Law, the detailed financial arrangements in respect of dividend flows and accounting for any profits or losses are reviewed with each S151 Officer with recommendations being made to the respective Cabinet or Committee in each Partner

Authority in the autumn. The initial thinking being that any future dividends are paid directly to the owning Councils rather than via LGSS and that periodic updates are provided to the relevant Cabinet or Committee in each Partner Council. As part of this review there is also the opportunity for CCC and NCC to review who they wish to represent them on the Board of Opus LGSS.

3.3. It was always envisaged that the partner councils of CCC, NCC and MKC would eventually become shareholders of Opus LGSS, once their existing agency arrangements came to an end. Going forward if Opus LGSS were to identify potential new partners, the existing shareholders will need to decide the basis upon which new shareholders can join the arrangement, either as a shareholder or purely as a customer of the service.

4. Appendix 1

LGSS JC
Report_Opus LGSS (

Opus LGSS People Solutions Ltd

To: **LGSS Joint Committee**

Meeting date: 23rd February 2018

From: LGSS Director of Business Services, Systems & Change – Mark Ashton

Purpose: To update the LGSS Joint Committee in relation to the governance arrangements and treatment in the LGSS Accounts of Opus-LGSS People Solutions Limited

Recommendation: For information only

Background:

Officers were asked to explore an opportunity to enter into an arrangement with Opus People Solutions (Opus) who are owned by Suffolk County Council (SCC) and who currently supply agency workers to SCC. Officers met with the Chairman and Operations Director of Opus People Solutions to explore the opportunities for CCC to utilise this model, with the aim of reducing the costs which CCC historically incurred through the Guidant contract for agency workers. Officers also explored the potential for further savings through expanding this arrangement to others partners such as Northamptonshire (NCC) and Milton Keynes (MKC) with a "sharing in success" business model. NCC have now joined the partnership and discussions are being held with MKC.

Following approval by GPC Committee at the end of July 2016, delegating authority to the LGSS Managing Director, new arrangements with Opus LGSS People Solutions (Opus LGSS) were put into place as planned in January 2017.

Opus LGSS was created as a partnership with Opus People Solutions, who are owned by Suffolk County Council, to supply and manage Cambridgeshire County Council's requirements for temporary/interim workers. This replaced the previous arrangement with Guidant Group.

Opus LGSS was incorporated on 27th October 2016 by Opus People Solutions and LGSS on behalf of Cambridgeshire County Council who are part owners in the company (One third share ownership with CCC and Opus owning the remaining two thirds).

In August 2017 Northamptonshire County Council (NCC) also joined the arrangement and became a shareholder in Opus LGSS People Solutions Ltd, at which time the ownership of the company was as follows:

- Opus People Solutions Ltd – 60 shares (60%)
- CCC – 20 shares (20%)
- NCC – 20 shares (20%)

Governance:
The company is a private company limited by shares governed through a formal Shareholder Agreement including a schedule of Reserved matters. This shareholders' agreement sets out the basis on which new parties, the most recent situation being NCC, shall be admitted and the terms and conditions on which the parties have agreed to carry on a joint venture through the Company and sets out their respective rights and obligations as its shareholders.
In addition and as part of the overall governance arrangement LGSS have appointed two Non-Executive Directors to the Board of Opus LGSS People Solutions Ltd:

- Mark Ashton (appointed 5th January 2017)
- Paul White (appointed 5th January 2017).

Formal board meetings are held quarterly and informal board meetings on the months in between.

Shareholder Loan:
The Shareholder Agreement makes reference to a Shareholder Loan and sets out how any such loan would be repaid in the event of default or any form of shareholder deadlock, so it is safe to assume that a shareholder loan was always envisaged.

In December 2016 there were a number of informal discussions with Opus People Solutions, where they indicated that it was highly likely that the new company, Opus LGSS, would need a short term working capital loan, in order to manage its cash flow through the early phase of its development and growth. A figure of £200k was discussed but was never formally agreed in any Opus LGSS Board meeting, nor was a rate of interest mentioned or agreed. An unsecured loan of £200k, at an interest rate of 10% (a rate used by Suffolk CC in other similar investment vehicles) was put in place, approved by the Opus People Solutions board. As this is a subject that is covered by Reserved Matters, the loan and the terms thereof, should not have been entered into without the prior written approval of all shareholders.

The loan served its purpose during the early stages of the arrangements with CCC from January 2017 and subsequently when NCC joined in August 2017 but has now been repaid (December 2017). Opus People Solutions acknowledge that they did not follow the formal process set out in the Shareholder Agreement and whilst the failure by them to follow due process has had little or no impact, they will ensure they do so in the future.

For the public sector

Agenda Item No: 6

LGSS Joint Committee

12 July 2018

Subject: **LGSS 2018-19 Budget Monitoring – May 2018**

Actions:

1. **Note the financial monitoring position as at 31 May 2018**

2. **Note the capital monitoring position regarding LGSS capital projects for NCC and CCC.**

Section 1 - Executive Summary

1. The report is the combined LGSS financial monitoring report consolidating the delegated budgets from the three core councils. The benefits to the councils are embedded within the budgets and a zero outturn position would mean that all benefits have been met with regard to each authority's budget proposals for 2018-19. At the end of the year the LGSS Operational outturn variance will be considered by Joint Committee for reinvestment and future commitments. In the event of a deficit and no other reserves it would be split between the core councils on the basis of net budget, as per the partnering agreement.

Revenue position

2. The forecast outturn variance on LGSS Services at the end of May is an overspend on LGSS services of £83k, and an overachievement on trading income of £100k leaving a net underspend of £17k. This compares to a forecast overspend of £87k on LGSS services and a £57k pressure on the trading income target at the end of April. Further details are set out in section 2 and Appendix 1.

	Previous LGSS Net Variance £000	Full Year Budget £000	Current LGSS Net Forecast Variance £000
Total LGSS Services	**87**	**43,249**	**83**
Trading Account / Partnership Contingency / Budget issues to be resolved	57	-14,981	-100
Total LGSS Operational	**144**	**28,268**	**-17**

3. The main changes since the April report are:
   - The removal of the LGSS Law Ltd dividend/retained earnings budgets from this report. It was decided that due to the shareholder arrangement this should be reported directly in NCC/CCC. There was a £157k pressure on this budget.
   - In addition to the above, the NCC and CCC corporate legal budgets have also been removed from the report this month and will report directly to the retained authorities. There was no forecast variance against these.
   - A forecast underspend of £34k in Democratic Services, from a previously reported overspend position of £87k. The change in forecast is largely due to vacancies in CCC.

4. It should be noted that whilst the current position reflects an underspend, there are considerable pressures mentioned within the report, which will potentially result in an overspend position. Mitigating actinns will be taken to address these pressures wherever possible.

5. Savings delivery – At this stage of the year the savings tracker is showing £195k of savings rated red, £1,025k rated amber and £1,700k rated green. These are broken down between LGSS and NCC specific savings in Section 2.

6. The actuals to date include some, but not all, accruals from the previous year, as these are yet to be posted in ERP Gold.

Reserves position

7. The balance in LGSS reserves at 31 March 2018 was £76k, an additional transfer will be made from the partnership contingency to LGSS reserves during 2018-19 as set out in the LGSS Strategic Plan.

8. Budget Reconciliation

   The budgets for all 3 authorities have been reconciled to the Strategic Plan, and a summary of movements in the year to date can be seen in Appendix 4.

9. Capital Position

   A summary of the capital position for NCC and CCC at the end of May can been seen in the table below, further detail is shown in appendix 3. MKC did not complete any capital monitoring for May.

Authority	**Total Life of Project Exp Budget** **£000**	**Forecast Total Life of Project** **£000**	**Over / (Under) Spend v Approved Exp** **£000**
NCC	21,647	22,127	480
CCC	2,025	2,025	0
TOTAL	**23,672**	**24,152**	**480**

Section 2 - LGSS Operational – May 2018

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actuals £000	Full Year Forecast Variance £000
Finance Services	0	20,132	-6,096	-470	13,566	-2,610	0
Human Resources	0	11,247	-2,228	-8	9,011	825	0
Business Services, Systems & Change	87	7,567	-1,009	-160	6,398	698	4
Information Technology Services	0	16,800	-1,020	-1,612	14,168	2,203	0
Managing Director & Support	0	116	-10	0	106	-17	79
Total LGSS Services	**87**	**55,863**	**-10,364**	**-2,251**	**43,249**	**1,098**	**83**
Trading Account	57	1,156	-16,633	0	-15,477	-701	-100
Partnership Contingency	0	571	0	0	571	0	0
NCC Budget items to be resolved	0	-75	0	0	-75	0	0
Total LGSS Operational	**144**	**57,515**	**-26,996**	**-2,251**	**28,268**	**397**	**-17**

Revenue position

1. The forecast outturn variance on LGSS Services at the end of May is an overspend of £83k, and an overachievement of trading income of £100k resulting in an overall underspend of £17k. Further detail and commentary on these are provided at Appendix 1 and 7.

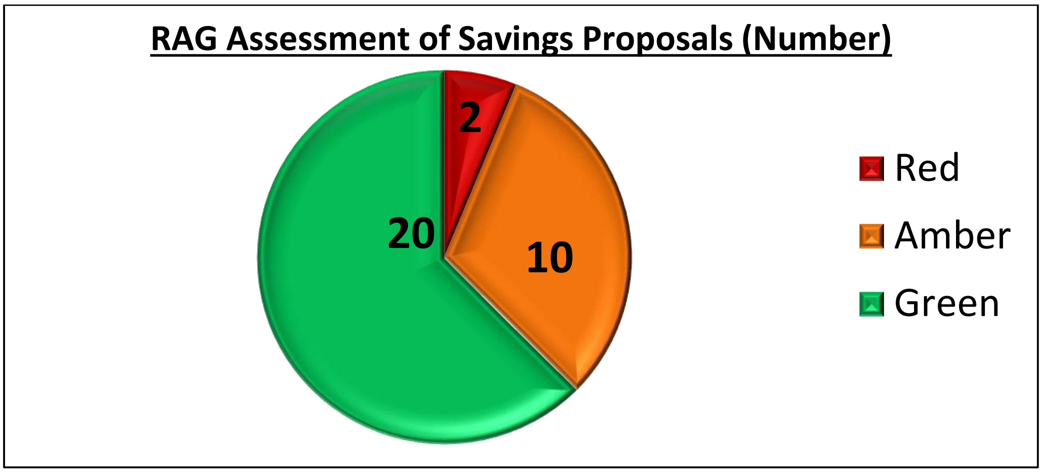
2. The forecast overspend on Managing Director and Support reflects the additional costs of the interim managing director.

Savings delivery

3. The Budget Savings Tracker enables service managers to give a monthly update on the delivery of 2018-19 savings and benefits. A summary of this information is given at paragraph 3 below. This is monitored and reviewed on a monthly basis with LGSS Directors, the Finance Director and the Managing Director.

4. The tracker shows current savings at risk totalling £155k relating to audit savings specific to NCC. A summary of the current RAG rating of budget proposals by Directorate is shown below:

Directorate Summary of Savings Proposals	Summary Proposal By Value and Directorate: LGSS savings				
	No. of proposals	Total Savings	Red	Amber	Green
Human Resources	2	189	0	0	189
Business Services, Systems and Change	7	913	0	133	780
Information Technology	7	565	0	225	340
Finance Services	6	467	135	142	190
Strategic Management	2	224	0	174	50
NCC specific savings	8	562	60	351	151
Total	**32**	**2,920**	**195**	**1,025**	**1,700**



Red = savings which are at significant risk of not being delivered in this financial year. Funding should be provided by NCC to cover these.

Amber = savings where plans have not yet been identified for the full amount. Many will be delivered part way through the year delivering some of the savings target, and mitigating actions will be taken to offset any savings shortfall.

Green = savings expected to be fully deliverable in year.

Capital position

5. The table below summarises the capital projects within LGSS for NCC and CCC, no capital monitoring was completed in MKC for period 2. LGSS projects are all fully funded from either external funding sources or by the individual authorities discretionary funding. There is a forecast overspend of £480k on capital with the majority of this being due to Project Angel and Next Generation ERP. Appendix 3 gives further detail on a scheme by scheme basis.

	Expenditure Profile							**Funding Profile**		
Authority	**Exp Budget**	**Prev Year's Exp**	**Actuals 2018-19**	**Forecast 2018-19**	**Forecast Future Years**	**Total Life of Project**	**Over / (Under) Spend v Approved Exp**	**External**	**Discretionary**	**Total Funding of Project**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
NCC	21,647	20,949	-640	901	917	22,127	480	753	20,894	21,647
CCC	2,025	1,891	0	134	0	2,025	0	0	2,025	2,025
TOTAL	**23,672**	**22,840**	**-640**	**1,035**	**917**	**24,152**	**480**	**753**	**22,919**	**23,672**

Appendix 1

2018-19 Monitoring Detail – LGSS Operational Budgets

Finance Services Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to May £000	Full Year Forecast Variance £000
Finance Services Directorate:							
Professional Finance							
CCC	0	1,555	0	0	1,555	148	0
MKC	0	1,820	-53	0	1,767	289	0
NCC	0	1,079	-10	0	1,069	137	0
LGSS Director of Finance	0	171	0	0	171	14	0
Premature Retirement Costs	0	133	0	0	133	0	0
Financial Operations	0	3,731	-245	-50	3,436	550	0
Debt & Income Service	0	886	-2	-65	819	32	0
Integrated Finance Services	0	1,700	-625	-253	822	70	0
LGSS Business Planning & Finance	0	467	0	0	467	38	0
Audit & Risk	0	1,959	-422	-102	1,434	195	0
Pensions Operations	0	4,734	-4,734	0	0	-4,159	0
Norwich	0	1,142	0	0	1,142	77	0
NBC	0	755	-5	0	750	0	0
Total	**0**	**20,132**	**-6,096**	**-470**	**13,566**	**-2,610**	**0**

The Directorate is currently forecasting a nil variance albeit there are a number of potential pressures as outlined below.

The NCC Professional Finance team has been strengthened in year with a Deputy S151 post in line with the other LGSS partners and additional resource in Corporate Finance. This was in agreement with NCC's S151 Officer who committed to resource the additional posts. Transfer of resource is being progressed.

Debt Recovery & Income is a separate service for 2018-19, previously having been part of Financial Operations with a recognition that investment in this service was essential to drive down current debt outstanding levels for the partner authorities. The planned efficiencies in the LGSS Strategic Plan have been delivered for 2018-19 following the restructuring earlier in the year but further work is underway given the additional senior role now in place.

Integrated Finance is currently forecasting to deliver to budget. There are ongoing discussions with NBC to put additional resource in to the NBC audit which KPMG has identified as high risk and are consequently taking a more substantive approach.

Similarly OBC savings have been delivered in Finance Operations. However, there is a backlog in Accounts Payable processing at this current time and work is underway to assess the impact of this on the outturn position.

The LGSS Business Planning & Finance team is forecast to come in on budget. The Business Planning Manager role is vacant and the opportunity is being taken to review the structure and contribute towards the overall LGSS Strategic Management efficiency target.

There are savings to be delivered in Audit & Risk of £150k relating solely to NCC. The NCC Director of Finance has recognised that this saving will potentially put the authority at risk and has asked for the audit plan to be prepared without the reduced numbers of days that this saving would require. Discussions are on-going regarding funding for this/removing the saving.

Pensions has an efficiency sharing SLA in place with the two funds and has delivered there target efficiencies for the next three years.

Human Resources Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to May £000	Full Year Forecast Variance £000
Human Resources Directorate:							
HR Central Management	0	150	0	0	150	22	0
Policy & Strategy	0	1,416	-53	0	1,364	142	0
Health, Safety & Wellbeing	0	298	-79	0	219	-11	0
HR Business Partners							
CCC	0	1,093	0	0	1,093	96	0
NCC	0	925	0	0	925	75	0
MKC	0	695	0	0	695	150	0
NCC Schools Income	0	168	-256	10	-78	0	0
MKC Schools	0	151	-151	0	0	25	0
Learning & Development	0	3,997	-990	-18	2,989	274	0
Transactional Services	0	2,353	-699	0	1,654	53	0
Total	**0**	**11,247**	**-2,228**	**-8**	**9,011**	**825**	**0**

The Directorate is currently forecasting a nil variance.

There may be a pressure on the staffing budget in the Learning & Development service (L&D), due to a reduction in grant funding, the service are currently investigating mitigations. There are £300k NCC specific savings within the L & D service, which will be achieved through a reduced service offering, or be borne directly by NCC.

Early indications show that there will be a shortfall in income of approximately £75k in the payroll service, as more schools convert to academies and use the payroll provider of their multi-academy trust. This shortfall will be absorbed as part of the further efficiencies found from the planned re shape of the service in July.

The CCC Health & Safety Counselling budget has moved to CCC Managed this month in order to reflect the setup of the other two partner authorities.

Business Services, Systems & Change Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to May £000	Full Year Forecast Variance £000
Business Services, Systems & Change Directorate:							
BSSC Leadership	4	159	0	0	159	14	4
Procurement	0	1,405	-159	0	1,246	84	35
Insurance	0	177	-59	0	118	330	0
LGSS Business Systems & Change	0	3,724	0	-160	3,564	212	0
Customer Engagement	0	387	0	0	387	28	0
Language Service	0	679	-680	0	-2	-25	0
Business Development	0	174	0	0	174	12	0
Democratic Support Services	83	861	-110	0	751	43	-34
Total	**87**	**7,567**	**-1,009**	**-160**	**6,398**	**698**	**4**

The Directorate is currently forecasting an overspend of £4k.

There is insufficient budget for the Director post, which causes an annual pressure of £4k.

A pressure has been reported of £35k against the £75k savings target in Procurement relating to the MKC team restructure which has been delayed and is being presented to CLT in May'18. There is also additional work being carried out across four large projects which potentially may cause a pressure if they all happen at the same time.

The increase in volume of claims undertaken by the Insurance Team previously highlighted is likely to present a pressure on the budget but this has not been reported but continues to be monitored.

LGSS Business Systems & Change have identified a potential issue regarding the annual systems licences costs as the budgets in NCC and CCC were not uplifted for inflation, this may therefore result in an £11k pressure. Additional savings have been taken from the LGSS Programme team service this year of £100k. This saving will be met by not filling 2 posts, which will mean there will be limited resources for any future work requiring the programme team.

Language Services have an additional £58k income target to achieve this year, and it is estimated at this stage, that £10k of this target is likely to be achieved. This area will be further assessed before any shortfall is reported.

The DSS MKC service has transferred back to MKC, the savings that were in the business case for this service, can no longer be achieved and as such also will be transferred back to MKC (£40k). There is a £25k pressure within DSS NCC, due to the delay in restructuring Cabinet Support. There is also £10k additional budget still expected to be received from NCC, to cover the increased costs associated with the delivery of schools admission appeals on behalf of NCC. A forecast underspend of £59k due to vacancies in CCC, is mitigating this overall position providing an overall forecast underspend of £34k for the service.

Information Technology Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to May £000	Full Year Forecast Variance £000
IT Directorate:							
Cambridgeshire County Council	0	1,366	0	-24	1,342	-9	0
MKC IT	0	2,391	-1	0	2,391	352	0
MKC IT Schools	0	396	-462	0	-66	-53	0
Northamptonshire County Council	0	3,188	-39	-618	2,531	147	0
Norwich	0	2,508	-250	0	2,258	642	0
NHFT	0	3,324	-253	0	3,072	392	0
Strategy & Architecture	0	871	-16	-93	761	50	0
Digital Services	0	1,443	0	-609	834	618	0
Service Delivery	0	1,312	0	-269	1,043	63	0
Total	**0**	**16,800**	**-1,020**	**-1,612**	**14,168**	**2,203**	**0**

The Directorate is not currently forecasting any variances.

There are however several pressures within the Directorate, the table below provides the detail of these issues.

IT Budget Issues 2018-19	£k
Savings Targets Not Sustainable Met	
Historical LGSS Strategic Plan	-240
MKC PDA	
Savings 16-17 - 18-19	-483
Savings offset	202
Savings achieved to date	98
Balance of MKC savings still to be met	-183
NCC specific	-71
Digital Services additional income target surplus	-50
Total	**-544**
Pressures	
NoCC Head of Service	-100
Vacancy Factor	-123
Unsustainable capitalisation target	-172
	-395
Total LGSS Operational	**-939**
NCC managed IT savings*	-140
Total inc managed savings	**-1,079**

* Planned to be delivered from contract re negotiation in Sept '18

The service is currently undertaking a zero based budgeting exercise which will provide detail regarding the cost of services, and how these budget reductions can be met sustainable.

The actuals may appear out of line, there are delays in recharges, due to new processes on ERP. This will be worked on over the next month to bring actuals up to date.

Appendix 2
2018-19 Monitoring Detail – Budgets managed by LGSS on behalf of others.

LGSS manages budgets on behalf of each authority and performance against these budgets is separately reported within each of the authority's monthly monitoring processes. As any under or overspends on these budgets are directly attributable to the individual authority, they do not form part of the partnering/sharing arrangements. However, for information purposes, the latest forecast outturn for budgets managed by LGSS on behalf of others is provided below. This information is also sent on a monthly basis to the CFO of each authority.

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to May £000	Full Year Forecast Variance £000
Cambridgeshire County Council:							
Insurance	0	2,139	0	0	2,139	17	0
Members Allowances	0	1,034	0	0	1,034	173	0
National Management Trainees	0	179	-8	0	172	4	49
Health & Safety Counselling		36	0	0	36	0	0
Information Technology	0	4,655	-202	-1,459	2,994	1,202	0
Total	**0**	**8,043**	**-210**	**-1,459**	**6,375**	**1,396**	**49**
Milton Keynes Council:							
Human Resources	0	184	0	0	184	75	0
Information Technology	0	79	0	0	79	-2	-19
Total	**0**	**262**	**0**	**0**	**262**	**74**	**-19**
Northampton Borough Council:							
Finance Managed	0	260	0	0	260	-200	0
Information Technology	0	1,271	0	0	1,271	-101	0
Insurance	0	754	0	26	781	0	0
NBC Managed Income	0	0	-2,312	0	-2,312	0	0
Total	**0**	**2,285**	**-2,312**	**26**	**0**	**-301**	**0**
Northamptonshire County Council:							
External Audit	0	244	0	0	244	-35	0
Social Care	45	0	-45	0	-45	1,948	45
Occupational Health	0	365	0	0	365	15	0
Information Technology	0	3,388	0	0	3,388	1,169	0
Democratic Services	-73	954	0	0	954	90	-73
Total	**-28**	**4,951**	**-45**	**0**	**4,906**	**3,188**	**-28**

Cambridgeshire County Council

There is a forecast overspend in National Management Trainees. This is due to the service needing new employees and not having the full budget to cover the costs.

Milton Keynes Council

There is a forecast underspend in MKC, this is due to a decrease in computer hardware leasing costs.

Northampton Borough Council

There are no variances forecast.

Northamptonshire County Council

There is a forecast overspend of £45k on the Social Care direct payments budgets. This is due to there being an unachievable income target on this service. The nature of this service is that all payments out are recovered so there is no way of generating this income.

£221k of the £361k of IT managed budget savings have been achieved. The remaining £140k will be achieved from contract renewals with negations to drive down costs. These contract are not up for renewal until September 2018, so there is some risk with regard to this saving.

There is an underspend forecast on Democratic Services due to a decrease in Councillor training anticipated (£10k), £10k forecast reduction in general expenditure and £53k anticipated reduction in Councillor expenses due to the change in political leadership.

Appendix 3 LGSS Capital Budget Monitoring – May 2018

NCC	**Expenditure Profile**							**Funding Profile**		
All Figures in £000's **Scheme Name**	**Exp Budget**	**Prev Year's Exp**	**Actuals 2018-19**	**Forecast 2018-19**	**Forecast Future Years**	**Total Life of Project**	**Over/ (Under) Spend v Approved Exp**	**External**	**Discretionary**	**Total Funding of Project**
Project Angel & NGW IT	**5,500**	5,651	14	0	0	**5,665**	165	0	5,500	**5,500**
Microsoft ESA & ECI 2014-17	**1,525**	1,266	0	0	259	**1,525**	0	0	1,525	**1,525**
Next Generation ERP*	**2,024**	2,079	205	0	0	**2,284**	260	100	1,924	**2,024**
Date Centre Refurbishment	**994**	1009	-7	0	0	**1,002**	8	94	900	**994**
Civica ICON #	**267**	267	-1	0	1	**267**	0	0	267	**267**
Next Generation / Model Office	**383**	181	30	0	172	**383**	0	0	383	**383**
Other Schemes less than £200k *	**10,954**	10,496	-881	901	485	**11,001**	47	559	10,395	10,954
Total	**21,647**	**20,949**	**-640**	**901**	**917**	**22,127**	480	**753**	**20,894**	**21,647**

- There was no engagement requested from the NCC budget managers during this monitoring window. Therefore it has been assumed that the projects are to budget unless there is already an overspend.
- * Of other schemes less than £200k most of the spend has been incurred in previous years. The total budget for these schemes in 2018-19 is £660k.

CCC	**Expenditure Profile**							**Funding Profile**		
All Figures in £000's **Scheme Name**	**Exp Budget**	**Prev Year's Exp**	**Actuals 2018-19**	**Forecast 2018-19**	**Forecast Future Years**	**Total Life of Project**	**Over/ (Under) Spend v Approved Exp**	**External**	**Discretionary**	**Total Funding of Project**
Next Generation ERP*	**2,025**	1,891	0	134	0	**2,025**	0	0	2,025	**2,025**
Total	**2,025**	**1,891**	**0**	**134**	**0**	**2,025**	**0**	**0**	**2,025**	**2,025**

- Next Generation ERP - final payment due in 18/19

Appendix 4 – 2018-19 Budget Reconciliation

The below table shows how the 2018-19 LGSS budget has changed throughout the year, in relation to the budgets reported in the strategic plan.

	CCC £000	**NCC £000**	**MKC £000**	**Total £000**
Net budget as per Strategic Plan	8,871	10,636	8,784	28,292
<u>Movements</u>				
Health & Safety staff counselling moved to CCC Managed	-36			-36
Corporate legal budgets returned to CCC/NCC	-102	-90		-192
LGSS Law dividend/retained earnings income target returned to CCC/NCC	102	102		204
Budget as at 31st May	**8,835**	**10,648**	**8,784**	**28,268**