

LGSS JOINT COMMITTEE: MINUTES

Date: Thursday, 12th July 2018

Time: 11:05am – 1.15pm

Place: Room 214, 1 Angel Square, Angel Street, Northampton

Present: Cambridgeshire County Council (CCC):
Councillors Chris Boden and Sebastian Kindersley

Milton Keynes Council (MKC):
Councillors Keith McLean and Robert Middleton (Chairman)

Northamptonshire County Council (NCC):
Councillors Michael Clarke, Andy Mercer 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), S Day
(Acting Director of IT Services), S Homer (Interim Managing Director LGSS),
C Malyon (S151 Officer Cambridgeshire County Council),
M McLaughlin (S151 Officer Northamptonshire County Council) and
M Rowe (Democratic Services Manager)
The Press attended the public session of the meeting

Apologies: Councillors Raynes and Brackenbury

43/18 DECLARATIONS OF INTEREST

None.

44/18 MINUTES – 28TH MARCH 2018

The minutes of the meeting held on 28 March 2018 were agreed as a correct record and signed by the Chairman.

The Chairman invited Councillor Michael Clarke to update the Joint Committee on the difficult situation being faced by Northamptonshire County Council (NCC). Cllr Clarke reminded Members of the background to the financial challenges faced by the Council including the publication of the Max Caller report which had been critical of the Council resulting in a series of resignations. He explained that he was the new Cabinet Member for Finance and Councillor Mercer was the new Cabinet Member for Local Government Reform.

He reminded the Joint Committee that a Section 114 notice had been issued stopping all new expenditure. There were extensive legacy issues, which included the need to pay back a Public Health grant of £8m, and an issue raised by auditors regarding the use of capital receipts. The Council

therefore needed to find £30m to balance the budget and replenish reserves which were next to zero. It would therefore be announcing adjustments to its 2018/19 budget to deal with the consequences of decisions taken in previous years. He reported that two Commissioners had been appointed by government: Tony McCardle and Brian Roberts from Lincolnshire and Leicestershire County Councils respectively. They had endorsed the Cabinet's approach which was an austere attitude to expenditure.

The Chairman welcomed the context provided by Councillor Clarke to ensure the Joint Committee was aware of the challenges. He acknowledged the importance of transparency and the need to work together to deliver good quality services in order to reduce costs.

One Member queried whether the variations to the Council's Medium Term Financial Strategy and the decisions of the Commissioners would impact on LGSS. It was noted that the Commissioners had asked NCC to look at all areas of expenditure particularly non-statutory areas. In response, the Member asked whether LGSS was prepared for any possible impact. The Chairman drew attention to the item on the LGSS Operating Model Review. This agenda item would address the current approach being taken.

45/18

LGSS SUMMARY OF ACHIEVEMENTS 2017-18 AND PROGRESS UPDATE ON ANNUAL REPORT AND STATEMENT OF ACCOUNTS

The Interim Managing Director presented a summary of LGSS achievements for 2017/18 ahead of the publication of the Annual Report and Corporate Plan. She explained that the Statement of Accounts and Annual Report would be presented to the Joint Committee in September.

The Chairman acknowledged the achievements particularly the £7.2m of savings delivered through contract reviews and new procurement activities across the LGSS partnership, and highlighted the importance of celebrating these outcomes.

During a discussion of the presentation, the following issues were raised:

- thanked the Interim Managing Director for providing the Joint Committee with what it had requested. One Member reported that although he believed there was some understandable bias in the report, he also believed in the concept of LGSS. However, it was sometimes difficult to persuade other councils to support it. He therefore requested forceful, reliable and believable information to justify the direction of travel. He was of the view that some governance issues were impacting on the performance of LGSS. He explained that LGSS Law Limited had nothing to do with LGSS itself but reputationally there was an impact. The same principle applied to Opus-LGSS People Solutions Limited. It was therefore important that both these organisations were separated from the accounts for LGSS and the activities of these organisations were seen as distinct from LGSS 'Inc'. In response, the Interim Managing Director

acknowledged the need to provide pithy information soundbites to Members to support the organisation based on good performance. She also confirmed that LGSS Law Limited had a clear and separate identity and would not be included in the LGSS accounts as had previously been agreed.

- noted the payroll accuracy of 99.9% across the LGSS partnership for 2017-18. One Member queried the rate for the first three months of the new financial year post the implementation of ERP. The LGSS HR Director confirmed that current performance was within the Service Level Agreement but as expected with significant system change would be lower than normal. The Interim Managing Director confirmed that the Joint Committee would be provided with the more recent figures after the meeting. **Action Required.**
- highlighted the need for an external auditor to produce a Best Value Report. KPMG had produced such a report for NCC which had formed part of Max Caller's report. The LGSS Director of Finance reminded the Joint Committee that the External Auditor gave a value for money conclusion which covered the quality of decision making, sustainability of finances and partnership working. However, there was no statutory requirement for LGSS to publish accounts. In order to be transparent, LGSS did produce accounts but they did not have a value for money conclusion. He had spoken to KPMG to see whether this could be provided for the 2017/18 accounts, and asked the Joint Committee whether it wished to extend the scope of the audit. He explained that there was a stricter deadline for these accounts, which included the publication of the draft by 31 May and the auditor's opinion to be received by 31 July. It was important to bear in mind that the LGSS Accounts Team prioritised statutory accounts first and then the LGSS accounts. An informal session would be arranged with Members before sign-off. The Chairman asked for an e-mail to be circulated to Members regarding how they wished to the audit the non-statutory LGSS accounts. **Action required.**
- acknowledged that the summary of achievements provided a useful sales tool to take to other authorities. However, one Member reported that he was more interested in things which were not going right. He therefore stressed the importance of changing the name of LGSS Law Limited. The Interim Managing Director reported that she could put such a proposal to the LGSS Law Limited Board. Councillor Middleton proposed an amendment, seconded by Councillor Boden, that the LGSS Law Limited Board be invited to consider changing the name of LGSS Law Limited. On being put the vote the amendment was carried unanimously.

It was resolved unanimously to:

- (a) note LGSS Summary of Achievements 2017-18 and progress update on Annual Report and Statement of Accounts; and

- (b) invite the LGSS Law Limited Board to consider changing the name of LGSS Law Limited.

46/18

ERP GOLD UPDATE

The LGSS Director of Business Services, Systems and Change introduced a progress report on the ERP Gold System and post go-live issues. Attention was drawn to the background to the implementation of the system. As was common with many programmes of this scale and complexity, there had been a number of go-live issues relating to payroll and the payment of suppliers. It was now important to stabilise, fix issues that Go-Live had identified and enhance the platform. Future commercial opportunity for the system required that Officers collate requirements and bring the business case to the Joint Committee.

He informed Members that the majority of issues related to Accounts Payable processes. However, these were not all due to ERP Gold. There had been a backlog before the go-live date. There were 9,000 invoices needing payment in early May which had been reduced to 3,400 week beginning 2 July. The Accounts Payable team was working hard to clear with additional resource and new leadership. In the future, with the new process there would be no need for an Accounts Payable clerk to be involved in the transaction as suppliers (through TradeShift) would be asked to use self-service. It was noted that to-date not all suppliers had embraced this approach and this was under review.

The Chairman acknowledged that ERP Gold had been a long standing and complex programme with substantial challenges. However, it was important to note that it was an innovative new platform providing self-service which would save the partners money. He drew attention to the business case being developed for consideration by the ERP board before coming forward to Joint Committee. He asked for any decisions taken by the Board to be circulated to the Joint Committee. **Action Required.**

During a discussion of the report, the following issues were raised:

- welcomed the progress outlined in the report. One Member commented that he had been critical of the project but now had more confidence. He acknowledged that there were niggling issues but the system appeared to be on track. He raised concerns about how small suppliers would interact with Tradeshift and a more complex accounting system. Whilst he welcomed the streamlining of the Accounts Payable process, it was important to avoid squeezing out small suppliers. The LGSS Director of Business Services, Systems and Change reported that some small suppliers did not want to use the Tradeshift product, and as a result, these invoices would continue to be managed manually. The take up of Tradeshift would be reviewed in the future, once the system had bedded down.

- expressed disappointment that a number of small nurseries had not been paid and had been forced to borrow money in order to survive. One Member was concerned that it had taken time to recognise and resolve the problem. He sought assurance that it would not happen again. The Interim Managing Director acknowledged that it was regrettable. As soon as LGSS had become aware of the problem additional resource had been brought in to expedite payments and faster payments had been made. She acknowledged that it had been challenging for small suppliers at the time but the backlog of invoices waiting to be paid was coming down. She agreed to continue to circulate updates to the Joint Committee.

Action Required.

- requested the need for plain English in future reports in order to improve clarity - avoiding the use of acronyms without an explanation. There was also a need to improve transparency by identifying who had taken decisions. It was important to confirm specific dates for actions to be met rather than stating the end of the month. It was suggested to include a glossary for acronyms in reports.
- queried the accuracy rate of the first payroll post implementation which in any change of system could be challenging. The LGSS HR Director reported that numbers of payroll issues had been lower than expected, but any payment issues were important to solve quickly. With any errors the team had communicated and apologised. From a systems perspective the Payroll team was pleased that ERP was a better designed system overall. However initially there had been an increase in manual inputs until all employees had access to ERP and were proficient using the system.
- queried whether the ERP Programme Board included Members and whether the minutes were available to the public. The Chairman reported that the Board was an operational body which included the Section 151 officers from the partner authorities. The expectation was that these officers would communicate directly with their Members. He asked for the membership of the Board to be circulated to the Joint Committee. **Action Required.**

Councillor Middleton proposed an amendment, seconded by Councillor McClean, to thank and congratulate Mark and his team for their continued progress in delivering this important project. On being put to the vote the amendment was carried unanimously.

It was resolved unanimously to:

- (a) note progress on the implementation of the ERP Gold System; and
- (b) thank and congratulate Mark and his team for their continued progress in delivering this important project.

At the request of Councillor Boden, the Joint Committee received a report detailing background and the governance arrangements for Opus – LGSS People Solutions Limited. The original paper had been distributed to the Joint Committee in March and was attached as an appendix. Attention was drawn to the background detailing the involvement of Cambridgeshire (CCC) and Northamptonshire County Councils. MKC would become a part owner of the company in September. Attention was also drawn to the operating model for Opus LGSS, which would result in creating a surplus and providing a return to shareholders. CCC and NCC had benefitted by £165k and £325k respectively, which purely reflected the margin created by not using private sector agencies to recruit workers. Members were informed that Opus was akin to LGSS Law Limited in the way it had been created.

The Chairman added that MKC had agreed to join Opus to avoid paying private sector margins.

One Member welcomed the concept behind Opus and thanked officers for the report. He was concerned that Section 151 officers would deal with the dividends individually as they would eventually arise, and there needed to be a consistent and unified approach as to how they were applied. He stressed the importance of transparency in relation to the company. He was aware that the company had lost £109k last year. He was therefore concerned that there were no governance arrangements to enable the Joint Committee to consider what was being proposed by Section 151 officers. He also highlighted the issue of the way a £200k loan had been managed. The LGSS Director of Business Services, Systems and Change acknowledged that the loan should have been submitted to the Board of Opus LGSS. Councillor Boden proposed an amendment, seconded by Councillor Middleton, to agree that a collective recommendation should be proposed by the Section 151 officers in order to ensure a unified approach. On being put to the vote the amendment was carried unanimously.

A Member queried how the savings documented in the paper for NCC had been calculated. The LGSS Director of Business Services, Systems and Change reported that the LGSS Head of Procurement had a spreadsheet detailing a comparison between historic rates of contract pay and those now being paid through Opus LGSS. This could be circulated to the Joint Committee.

[Councillor Boden left the meeting at this point]

Councillor Kindersley reiterated his concerns about the confusion over the use of LGSS again and proposed an amendment, seconded by Councillor Middleton, to invite Opus LGSS People Solutions Limited to consider changing its name. On being put to the vote the amendment was carried unanimously.

A Member queried the market for Opus and whether it could fulfil 100% of NCC and CCC's requirement for temporary staff. It was noted that around 90 agency providers had been signed to Opus. Members were informed that the profitability diminished when going outside this supply chain. The target was for a 50:50 split which was an improvement on the current split of 70:30. The supply chain was growing particularly for CCC which had been part of Opus for longer.

It was resolved unanimously to:

- (a) note the contents of the report;
- (b) agree that a collective recommendation should be proposed by the Section 151 officers in order to ensure a unified approach; and
- (c) invite Opus LGSS People Solutions Limited to consider changing its name.

At this point the LGSS HR Director informed Members that Theresa Grant had been appointed the new Chief Executive of Northamptonshire County Council.

48/18

LGSS BUDGET MONITORING REPORT – MAY 2018

The Joint Committee received the combined LGSS financial monitoring report consolidating the delegated budgets from the three core councils. The forecast outturn variance on LGSS Services at the end of May was an overspend of £83k. However forecasted overachievement on trading income of £100k would deliver a net underspend of £17k. Attention was drawn to the main changes since the April report relating to LGSS Law Limited and Democratic Services. Members were informed that there were underlying pressures, which would potentially result in an overspend position; mitigating actions were being taken to address them.

The Joint Committee noted the delivery of savings, which showed a Red risk totalling £155k relating to audit savings for NCC. Ongoing discussions were taking place with the Council planning to reinstate audit days and the corresponding budget against this savings target. The LGSS Director of Finance confirmed that he would report each month any change to the budget. In relation to capital monitoring, MKC would be completed next month.

One Member queried the disparity in the capital position for NCC and CCC. Attention was drawn to page 51 of Appendix 3 which provided the breakdown. There were specific high profile IT capital spends in NCC which included a significant amount of spend from previous years. In relation to the £155k risk to audit savings for NCC, a Member queried the mechanism for 'sharing the pain' and the cut-off point. It was noted that the £270k saving

had been shared across all three partners. If the £90k saving for NCC was not delivered, it would need to be met by NCC.

It was resolved to note:

- the financial monitoring position as at 31 May 2018
- the capital monitoring position regarding LGSS capital projects for NCC and CCC

49/18 EXCLUSION OF PRESS AND PUBLIC

It was resolved that the press and public be excluded from the meeting for the following items on the grounds that the items 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).

50/18 LGSS OPERATING MODEL REVIEW

The Interim Managing Director presented an update on the LGSS Operational Model Review.

It was resolved unanimously to note the update provided.

51/18 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