



# **LGSS Annual Report 2015-16**

**By the Public Sector, for the Public Sector**



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## Introduction

LGSS is a shared service jointly owned by Cambridgeshire County Council, Northamptonshire County Council and Milton Keynes Council. LGSS was established in October 2010 through the merger of the Corporate Services operations of Cambridgeshire and Northamptonshire County Councils into a single, shared service providing all professional, transactional and operational services to both organisations.

Since then LGSS has secured major new partnerships across the region with many other public service organisations including several district and borough Councils (including Norwich City Council, Huntingdonshire District Council and Northampton Borough Council), as well as NHS Health Bodies (such as Northamptonshire Foundation Health Trust (NHFT)) , Adult Care Providers (such as Olympus Care Services), Northamptonshire Partnership Homes, in addition to providing services to hundreds of local academies and schools.

This Annual Report presents the financial statements for LGSS for the period 1 April 2015 to 31 March 2016 and gives a comprehensive summary of the overall financial position of LGSS, including LGSS Law Ltd. For the period covered by this annual report, LGSS had two shareholding partners, with Milton Keynes Council becoming a full legal partner on the 1 April 2016.

### 2015-16 Financial Outturn – LGSS

LGSS Operational Service Area	Full Year Budget £000	Full Year Variance £000
Trading Account	(22,057)	925
Service Assurance	768	(73)
Finance	10,941	(600)
People, Transformation and Transactions	20,486	(565)
Information Technology	12,869	(107)
Law, Procurement and Governance	2,026	216
<b>Total LGSS</b>	<b>25,033</b>	<b>(204)</b>

The financial outturn for LGSS was a £204k surplus for the financial year. As in previous years, challenging savings targets were incorporated into the budgets and whilst as a whole LGSS came in within budget , some service areas struggled to achieve the challenging targets, such as the trading account (£925k over budget).

This was more than offset by the over performance within the other service areas, such as finance (£600k under budget) and People, Transformation and Transactions (£565k under budget) through vacancy management and achieving one-off efficiencies during the year.

Overall, however, the final position allowed an additional £20k to be added to the LGSS reserves (being the difference between the £204k surplus for the year and the utilisation of £184k of reserves in year), further strengthening the financial position of LGSS for the years ahead.

## 2015-16 Financial Outturn – LGSS Cont

### Reserves Position

Unlike a local authority, LGSS does not seek to hold reserves as a contingency for unforeseen circumstances. Instead, reserves are held to invest in long term service improvement to continually improve the services that LGSS delivers, facilitating better outcomes for its customers.

In 2015-16, reserves of £184k were utilised to support the delivery of future efficiencies. Of the favourable outturn variance of £204k, £53k will be used to top-up the redundancy reserve to £175k, with the balance being used to invest in IT infrastructure, (£56k), and infrastructure for development of the Learning Pool – the online training system for all LGSS customers, (£95k).

	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Outturn £000	2014-15 Outturn £000	2015-16 Outturn £000
Brought Forward (1 April)	0	1,489	3,289	2,893	2,005
Reinvestment	0	(604)	(2,402)	(2,091)	(2,005)
Repayment to Norwich City Council	0	0	(184)	0	0
Distribution of prior year dividend	0	0	(700)	(700)	0
Actual Surplus	1,489	2,404	2,009	652	204
<b>Balance at 31 March</b>	<b>1,489</b>	<b>3,289</b>	<b>2,012</b>	<b>754</b>	<b>204</b>
Planned Reinvestment	0	0	881	1,251	1,821
<b>LGSS Reserves at 31 March</b>	<b>1,489</b>	<b>3,289</b>	<b>2,893</b>	<b>2,005</b>	<b>2,025</b>

### Use of Reserves in Year

Theme	2015-16 Carry Forward £000	2016-17 Carry Forward £000
Reinvestment in Services	1,198	1,097
Smoothing	753	753
Redundancy	54	175
<b>Total LGSS Reserves</b>	<b>2,005</b>	<b>2,025</b>

In 2015-16, there was no requirement to draw down the Smoothing reserve, and therefore the balance has been carried forward to 2016-17

In 2015-16, Directors have been able to manage or absorb redundancy costs with their own service budgets, therefore there were no calls on the redundancy reserve in year. The redundancy reserve has been topped up to £175k for 2016-17 to support further service transformation in 2016-17 and going forward.

## 2015-16 Financial Outturn– LGSS Law

In its first year of operation the company has delivered benefits to its shareholders and stakeholders alike and has proved successful in many areas.

The company has delivered over 75,000 hours of high quality legal advice in a wide range of areas to over 100 public clients at competitive tariffs for all. By the end of March 2016 the company employed some 110 legal staff who were assisted by 20 support staff and 20 locum lawyers in 3 locations.

The year ended with the company welcoming a third shareholder into the group demonstrating support in the concept of a locally owned ABS legal firm and an appreciation of its added value. A further 35 lawyers and 5 support staff joined the company at the same time

### Financial Performance

Although the company traded at profit for its first year it has not delivered the financial target set by its shareholders.

The cost of delivering our service falls substantially upon our trained legal staff. We use a mixture of PAYE, Agency and Direct Contract staff to deliver the income and in total 129 fee earners were involved during the year.

The Balance Sheet shows that the company has a only few fixed assets – mainly IT equipment- and £1,464,000 in its bank account. Much of the bank account will be used to pay VAT and PAYE liabilities of £530,000 and Trade Creditors of £149,000 leaving £785,000 for other uses. This shows that the company is in a healthy short term financial position.

LGSS Law - Summary Profit & Loss Statement		
	£000	
Income	5,662	
Cost of Services	4,724	
<b>Gross Profit</b>	<b>939</b>	<b>17%</b>
Overheads	835	
<b>Net Profit</b>	<b>104</b>	<b>2%</b>

## Independent auditor's report to the members of LGSS

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## Statement Of Responsibilities And Certificate Of Accounts

### LGSS's Responsibilities

LGSS is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this entity, that officer is the Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Annual Report (Statement of Accounts and Annual Governance Statement).

I confirm that the Annual Report (Statement of Accounts and Annual Governance Statement) were approved by the LGSS Joint Committee at its meeting on **XX** August 2016.

Councillor  
Chairman of the LGSS Joint Committee

Date: June 2016

### The Director Of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the business's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

The Director of Finance has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certificate of Accounts

I certify that this Annual Report (Statement of Accounts and Annual Governance Statement) presents a true and fair view of the financial position of LGSS at 31 March 2016 and its income and expenditure for the year ended 31 March 2016, and authorise the accounts for issue.

Matt Bowmer  
Director of Finance

Date: June 2016

## Notes to the Group Accounts

### 1. Group Boundary

LGSS Law Ltd was incorporated on the 3<sup>rd</sup> June 2014 and commenced trading on the 1 April 2015. The share capital of the company is split 50/50 between Northamptonshire County Council, and Cambridgeshire County Council, consistent with the ownership split for the main LGSS entity in 2015-16.

LGSS Law Limited is the only subsidiary of LGSS for accounting purposes, and has been consolidated into the LGSS Group Accounts.

### 2. Basis of Consolidation

The financial statements of LGSS Law Ltd have been consolidated with those of LGSS on a line by line basis; which has eliminated in full balances, transactions, income and expenses between LGSS and its subsidiary.

### 3. Business Activities of the Subsidiaries

LGSS Law Ltd is a provider of legal services, primarily to the public sector. In its first year, LGSS Law provided over 75,000 hours of high quality legal advice in a wide range of areas to over 100 public sector clients.

### 4. Accounting Policies

In preparing the group accounts, LGSS has ensured that the accounting policies of LGSS and LGSS Law are aligned. The accounting policies for LGSS and LGSS Law are the same, with the following two policies applicable for LGSS Law:

**Corporation Tax** – As a public sector entity, LGSS is not liable to pay corporation tax on any surplus that it makes during a year. Conversely, LGSS Law is a private limited company, and therefore is subject to the normal business taxes applicable to an organisation trading in the United Kingdom.

The LGSS Law policy for accounting for Corporation Tax is below:-

Corporation Tax is accounted for in the year in which the trading surplus have taken place (after the application of capital allowances and the use of trading loss carry forwards, where appropriate).

As Corporation Tax is paid in the following financial year, the pre-audited estimated corporation tax liability is provided for by the raising of an accrual.

**Property, Plant and Equipment (PPE)** – LGSS utilises the assets of its customers in order to deliver services where appropriate, therefore has no ownership rights over PPE assets, which means that it has no PPE accounting policy.

The LGSS Law policy for accounting for PPE is below:-

All Non Current Assets to be depreciated over 5 years, with assets only to be revalued where it is expected the carrying value of the asset is materially different from its fair value.

### 5. Consolidation of the Group Accounts

Where applicable, figures relating to the LGSS Group and LGSS are provided side by side to highlight where the Group figures are different from the core LGSS entity. However, where there is no material benefit of including the information in the notes to the accounts, only the LGSS figure is shown.

### The Core Financial Statements

The Core Financial Statements are set out over the following four pages, and are prepared under the appropriate accounting standards relating to each entity. The statements contain the appropriate level of detail to ensure they provide a meaningful comprehensive summary of the financial position of LGSS.

## Income and Expenditure as per Outturn Report 2015-16

14-15 Variance		Gross Expenditure Budget £000	External Income Budget £000	Internal Income Budget £000	Net Budget £000	Outturn £000	15-16 Variance
£000		£000	£000	£000	£000	£000	£000
383	Trading Account	2,507	(24,560)	(4)	(22,057)	(21,132)	925
49	Service Assurance	784	0	(16)	768	695	(73)
(348)	Finance	20,101	(7,458)	(1,786)	10,857	10,357	(500)
(383)	People, Transformation and Transactions	23,447	(1,777)	(1,184)	20,486	19,921	(565)
(202)	Information Technology	15,202	(302)	(2,131)	12,769	12,746	(23)
(152)	Law, Property and Governance (Excl LGSS Law)	7,684	(500)	(4,622)	2,562	2,346	(216)
0	LGSS Law	3,558	(4,094)	0	(536)	(104)	432
(653)	<b>Total LGSS</b>	<b>73,283</b>	<b>(38,691)</b>	<b>(9,743)</b>	<b>24,849</b>	<b>24,829</b>	<b>(20)</b>

(Surplus)/Deficit on the provision of services

(20)

This statement shows the cost of providing LGSS services, prepared under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2015-16, which are based on International Financial Reporting Standards (IFRS). This is in line with the preparation of the annual accounts for both Northamptonshire and Cambridgeshire County Councils.

The 2015-16 income and expenditure statement shows a surplus of £20k, of which £452k relates to the trading activity of LGSS, with a deficit relating to the trading activity of LGSS Law of £432k, a limited company that started trading on 1 April 2015.

A further breakdown of the figures from the income and expenditure statement is shown in Note 8, which splits the figures between the cost of services provided to NCC and CCC, and trading with external partners through Partnership and Delegation agreements.

## Balance Sheet

This statement presents the value of the assets and liabilities recognised by LGSS as at 31 March 2016.

The Balance Sheet therefore represents debtors, creditors and cash as a result of the activities carried out by LGSS. There are net assets of £2,025k attributable to LGSS as at 31 March 2016.

The value of non-current assets of £1k relates to a small level of capital expenditure, for the start-up expenditure incurred when LGSS Law began trading. Assets used by LGSS to deliver services are owned by the respective host authorities.

	31-Mar-15 LGSS Group £000	31-Mar-16 LGSS £000	31-Mar-16 LGSS Group £000
<b>0 Non Current Assets</b>		<b>0</b>	<b>1</b>
4,194 Short Term Debtors (Note 4)		7,287	9,299
1,830 Cash and Cash Equivalents		0	1,317
<b>6,024 Current Assets</b>		<b>7,287</b>	<b>10,617</b>
(3,733) Short Term Creditors (Note 5)		(4,145)	(7,475)
(286) Provisions (Note 6)		(221)	(221)
0 Cash and Cash Equivalents		(896)	(896)
<b>(4,019) Current Liabilities</b>		<b>(5,262)</b>	<b>(8,592)</b>
<b>2,005 Net Assets</b>		<b>2,025</b>	<b>2,025</b>
2,005 Usable Reserves (Note 7)		2,025	2,025
0 Unusable Reserves		0	0
<b>2,005 Total Reserves</b>		<b>2,025</b>	<b>2,025</b>

## Movement in Reserves Statement

	LGSS Reserve £000	Earmarked Reserves £000	LGSS Law Retained Profit £000	Useable Reserves Total £000
<b>Balance at 31-Mar-14</b>	<b>2,193</b>	<b>103</b>	<b>0</b>	<b>2,296</b>
Movement in 2014-15:				
Surplus/(Deficit) on the provision of services	(291)	0	0	(291)
Other Comprehensive Income and Expenditure	0	0	0	0
<b>Total comprehensive income and expenditure</b>	<b>(291)</b>	<b>0</b>	<b>0</b>	<b>(291)</b>
Transfers to/(from) earmarked reserves (note 7)	103	(103)	0	0
<b>Increase/(decrease) in 2014-15</b>	<b>(188)</b>	<b>(103)</b>	<b>0</b>	<b>(291)</b>
<b>Balance at 31-Mar-15</b>	<b>2,005</b>	<b>0</b>	<b>0</b>	<b>2,005</b>
Movement in 2015-16:				
Surplus/(Deficit) on the provision of services	20	0	(0)	20
Other Comprehensive Income and Expenditure	0	0	0	0
<b>Total comprehensive income and expenditure</b>	<b>20</b>	<b>0</b>	<b>(0)</b>	<b>20</b>
Transfers to/(from) earmarked reserves (note 7)	0	0	0	0
<b>Increase/(decrease) in 2015-16</b>	<b>20</b>	<b>0</b>	<b>(0)</b>	<b>20</b>
<b>Balance at 31-Mar-16</b>	<b>2,025</b>	<b>0</b>	<b>(0)</b>	<b>2,025</b>

This statement shows the movement in the year on the different reserves held by LGSS. All reserves held by LGSS at the 31 March 2016 are useable reserves.

There has been an increase of £20k in the LGSS Operational Reserve during the period. The LGSS Operational Reserve is the primary reserve, which is used to hold accumulated surplus/deficits on the provision of services, and to release funding back in to the service as reinvestment.

As LGSS Law Ltd is operating as a private limited company, a retained profit reserve has been created. This reserve can be used by LGSS Law to retain profits each year to re-invest in future years, or return to its shareholders as a dividend. On the 31 March 2016, this reserve stood at zero.

## Cash Flow Statement

2014-15 LGSS Group £000		2015-16 LGSS £000	2015-16 LGSS Group £000
(291)	Net surplus/(deficit) on the provision of services	20	20
	Adjust net surplus/deficit on the provision of services for non cash movements:		
5,346	(Increase) / Decrease in debtors	(3,093)	(5,106)
185	Increase / (Decrease) in creditors	412	3,742
(80)	Increase / (Decrease) in provisions	(65)	(65)
5,451		(2,746)	(1,428)
	<b>5,160 Net increase or (decrease) in cash and cash equivalents</b>	<b>(2,726)</b>	<b>(1,408)</b>
(3,330)	Cash and cash equivalents at the beginning of the reporting period	1,830	1,830
	<b>1,830 Cash and cash equivalents at the end of the reporting period</b>	<b>(896)</b>	<b>422</b>

The cash flow statement shows the changes in cash and cash equivalents of LGSS during the reporting period. The statement shows how LGSS generates and uses cash and cash equivalents for operating activities.

Cash and cash equivalents for LGSS have decreased during the period by £2,726k. Cash is held within the bank accounts of the two founding Councils.

For LGSS Law Ltd, in its first year of trading has a cash balance of £1,318k at the balance sheet date.

# 1 Accounting Policies

## 1.1 General Principles

The Statement of Accounts summarises LGSS's financial position for the year ended 31 March 2016.

LGSS has prepared these Statement of Accounts in accordance with the Accounts and Audit Regulations 2015. These regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code)

In order to reflect statutory conditions, accounting standards are amended for specific statutory adjustments so that the accounts present a true and fair view of the financial position and transactions of LGSS. All accounting policies are disclosed where they are material.

## 1.2 Qualitative Characteristics of Financial Statements

### 1.2.1 Relevance

The accounts have been prepared with the objective of providing information about LGSS's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

### 1.2.2 Reliability

The financial information is reliable as it has been prepared so as to reflect the reality or substance of the transaction, is free from deliberate or systematic bias, is free from material error and has been prudently prepared.

### 1.2.3 Understandability

These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary contained within the accounts.

### 1.2.4 Materiality

The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided that in aggregate they would not affect the interpretation of the accounts.

## 1.3 Underlying Assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of

Accounts and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates.

Where it is necessary to choose between different estimation techniques, LGSS selects whichever method is judged to be the most appropriate to its particular circumstances for the purposes of presenting the financial position in the accounts fairly. Estimates are used for debtors and creditors where invoices have yet to be issued or received.

### 1.3.1 Accrual of Income and Expenditure

The financial statements, other than the cash flow, are prepared on an accrual basis. Income and expenditure is recognised in the accounts in the period in which it is earned or incurred, not

as cash is received or paid. In particular:

- Revenue from the provision of services is recognised when LGSS can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to LGSS.
- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 1.3.2 Going Concern

The accounts have been prepared on the assumption that LGSS will continue in existence for the foreseeable future.

## 1 Accounting Policies Cont.

### 1.4 Detailed Accounting Policies

#### 1.4.1 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours and investments whose maturity date is three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

#### 1.4.2 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of LGSS's financial performance.

#### 1.4.3 Provisions

Provisions are made where an event has taken place that gives LGSS a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that LGSS becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it

becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if LGSS settles the obligation.

#### 1.4.4 Reserves

LGSS sets aside specific amounts as reserves for future policy and business purposes or to protect against unexpected events. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year, to be recorded against the Net Cost of Services in the Comprehensive Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

LGSS Reserves include:

- Earmarked reserves, which are set aside for specific purposes.
- General reserves, which are set aside for unexpected events.

#### 1.4.5 Revenue Grants and Contributions:

Revenue grants and contributions are matched in the Comprehensive Income and Expenditure Statement to the service expenditure to which they relate. Revenue grants received in advance of entitlement or meeting of conditions are treated as creditors (receipt in advance) until such time as they can be justifiably recognised as income and credited to the Comprehensive

Income and Expenditure Statement. Grants to cover general expenditure are credited to the Comprehensive Income and Expenditure Statement after Net Cost of Services.

#### 1.4.6 Employment Benefits

##### I. Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, for current employees and are recognised as an expense for services in the year in which employees render service to LGSS.

##### II. Termination Benefits

Termination benefits are amounts payable as a result of a decision by LGSS to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement when LGSS is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

##### III. Post Employment Benefits

##### Local Government Pension Scheme

Contributions to the Local Government Pension Scheme payable during the period are charged to the Comprehensive Income and Expenditure Statement where employees are members of the scheme. However, as LGSS staff are formally employed by either Northamptonshire County Council or Cambridgeshire County Council the net pensions liability/asset is shown within the host authority's Statement of Accounts. Therefore no pensions liability/asset is recognised within LGSS's balance sheet.



## 1 Accounting Policies Cont.

### 1.4.7 Discretionary Benefits

LGSS has no powers to make discretionary awards of retirement benefits in the event of early retirements, with such powers remaining with the respective County Councils. However, any liabilities estimated to arise as a result of an award to any member of staff will be accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### 1.4.8 Value Added Tax (VAT)

The Comprehensive Income and Expenditure Statement excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

### 1.4.9 Events after the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 2. Accounting standards that have been issued but have not yet been adopted

The standards which have been introduced by the 2016-17 Code and will be effective from 1 April 2016 are not anticipated to have any impact on the LGSS financial statements. These are as follows:

- **Amendments to IAS 19 *Employee Benefits (Defined Benefit Plans: Employee Contributions)***
- **Annual Improvements to IFRSs 2010 – 2012 Cycle Amendment to IFRS 11 *Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)***
- **Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)***
- **Annual Improvements to IFRSs 2012 – 2014 Cycle (see Appendix B of the ITC on the 2016/17 Code for further details)**
- **Amendment to IAS 1 *Presentation of Financial Statements (Disclosure Initiative)***
- **The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis**
- **The changes to the format of the Pension Fund Account and the Net Assets Statement.**

### 3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, LGSS has been required to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Annual Report (Statement of Accounts and Annual Governance Statement) are in respect of:

#### **Presentation of the Comprehensive Income and Expenditure Statement (CIES)**

The Accounts have been prepared using the CIPFA Code of Practice on Local Authority Accounting (the Code). The internal management reporting structure has been used to present the Income and Expenditure statement, as this reflects the profit centres that operate within LGSS

As LGSS is operating in a commercial environment all activity has been treated as trading activity; both with the founding authorities, Northamptonshire County Council and Cambridgeshire County Council, and with other partner bodies through Partnership and Delegation Agreements.

**IAS19 / Pensions liabilities** – As LGSS is not a separate legal entity staff are formally employed by either of the two founding authorities, Northamptonshire County Council or Cambridgeshire County Council, and are entitled to join the Local Government Pension Scheme (LGPS). LGPS is a defined benefit plan. As LGSS itself is not an admitted body to LGPS it is not possible for LGSS to accurately identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes. As such, the scheme has been accounted for as a defined contribution scheme within the LGSS accounts. Pension contributions paid during the period have been recognised within the income statement.

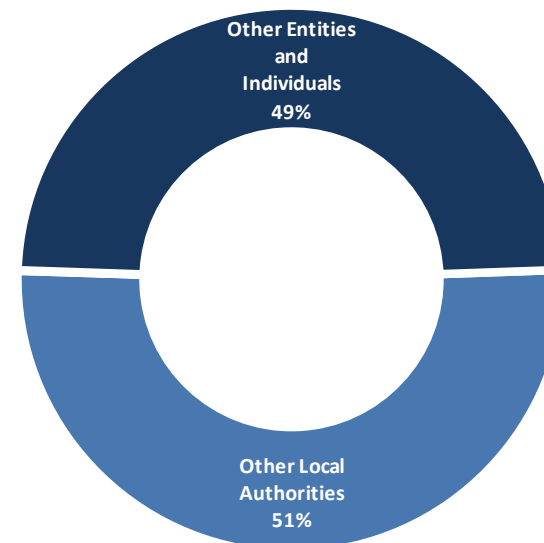
Contributions paid during the year are shown in Note 15. There is no pensions liability or pensions reserve shown within the LGSS balance sheet. The net pensions asset/liability and pensions reserve is shown within each authority's Statement of Accounts, depending on where the staff are formally employed. Similarly, IAS19 disclosures are shown within the Statement of Accounts of each authority.

**Fixed Assets** – Assets are resources controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity. As LGSS is not a separate legal entity it does not own any fixed assets. Fixed assets are owned by the host authorities and partner authorities, who direct and control their use. LGSS does not have sole use, as the assets are also used by the host authorities and partner authorities, so the criteria for them to be accounted for as finance leases has not been met. Consequently these fixed assets are included within the statutory accounts of the relevant authority and no fixed assets are included within the LGSS accounts.

**LGSS Activity** – The LGSS accounts included activity related to LGSS operational budgets. Operational budgets encompass day to day LGSS activity and transactions with third parties. There are also managed budgets which LGSS administers on behalf of the partner organisations for which LGSS has or receives no benefit. Activity related to these managed budgets is included within the relevant organisation's statutory accounts and consequently is not included within the LGSS accounts.

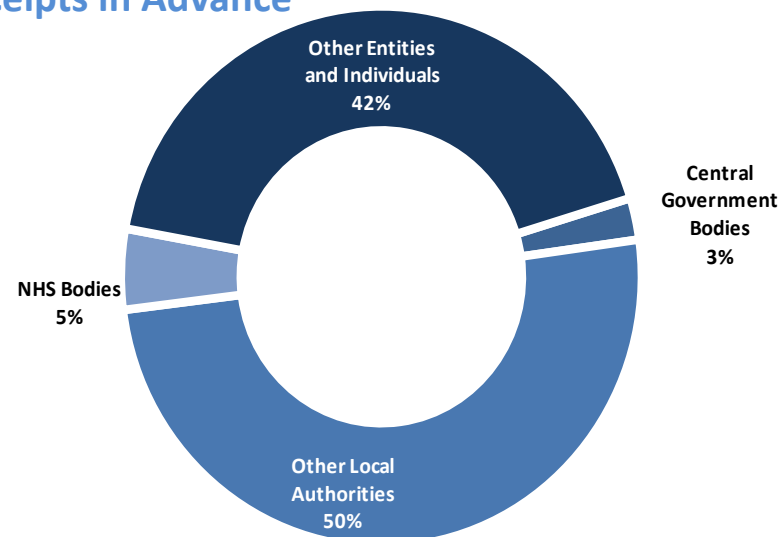
## 4 Debtors and Payments in Advance

2014-15		2015-16	2015-16
LGSS Group		LGSS	LGSS Group
£000		£000	£000
-	Central Government Bodies	0	0
3,296	Other Local Authorities	3,720	5,716
14	NHS Bodies	3	3
885	Other Entities and Individuals	3,564	3,581
<b>4,195</b>	<b>Total Short Term Debtors</b>	<b>7,287</b>	<b>9,299</b>



## 5 Short Term Creditors and Receipts in Advance

2014-15		2015-16	2015-16
LGSS Group		LGSS	LGSS Group
£000		£000	£000
(210)	Central Government Bodies	(104)	(654)
(1,708)	Other Local Authorities	(2,082)	(4,759)
(239)	NHS Bodies	(201)	(201)
(1,075)	Other Entities and Individuals	(1,757)	(1,861)
<b>(3,232)</b>	<b>Total Short Term Creditors</b>	<b>(4,144)</b>	<b>(7,475)</b>



## 6 Provisions

2014-15 LGSS £000	2015-16 LGSS £000
(366) Opening Provision	(286)
80 Provision Utilised in Year	65
<b>(286) Closing Provision</b>	<b>(221)</b>

A customer PDA (Partnership and Delegation Agreements) Income Provision of £65k has been utilised during the year, to cover the cost of redundancies regarding a particular contract.

At the balance sheet date, no provisions for LGSS Law Ltd were in place.

## 7 Transfers to/from Earmarked Reserves

	Opening Balance April 2014 £000	Transfers to Reserve £000	Transfers from Reserve £000	Closing Balance March 2015 £000
LGSS Operational Reserve	2,193	653	(841)	2,005
Cambridge Specific Reserves	103	0	(103)	0
LGSS Law Retained Profit	0	0	0	0
<b>Total LGSS Group Reserves</b>	<b>2,296</b>	<b>653</b>	<b>(944)</b>	<b>2,005</b>

	Opening Balance April 2015 £000	Transfers to Reserve £000	Transfers from Reserve £000	Closing Balance March 2016 £000
LGSS Operational Reserve	2,005	204	(184)	2,025
Cambridge Specific Reserves	0	0	0	0
LGSS Law Retained Profit	0	0	0	0
<b>Total LGSS Group Reserves</b>	<b>2,005</b>	<b>204</b>	<b>(184)</b>	<b>2,025</b>

## 8 Trading Operations

Trading Operation figures are shown in the table below.

Services provided to the founding authorities, Northamptonshire County Council and Cambridgeshire County Council are shown separately to trading with other partners including Partnership and Delegation Agreements.

<b>Expenditure</b>	<b>Income (Surplus)/Deficit</b>		<b>Expenditure</b>	<b>Income (Surplus)/Deficit</b>	
<b>2014-15</b>	<b>2014-15</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2015-16</b>	<b>2015-16</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
47,614	(45,816)	<b>1,798 With NCC/CCC</b>	45,561	(43,905)	<b>1,655</b>
		<b>With other Partners (Partnership &amp;</b>			
18,209	(19,715)	<b>(1,506) Delegation agreements)</b>	21,166	(22,842)	<b>(1,675)</b>
<b>65,823</b>	<b>(65,531)</b>	<b>292 Total</b>	<b>66,727</b>	<b>(66,747)</b>	<b>(20)</b>

In line with the requirements of Northamptonshire County Council and Cambridgeshire County Council to deliver savings, the amount of income received by LGSS from the founding partners has decreased by £1.9m, being the main cause of a £2.2m reduction in expenditure with NCC & CCC.

During the same timescale, however, LGSS have been able to increase the trading activity with other partners, with income received from these sources increasing by £3.1m over the last year. However, expenditure has increased by £2.9m in order to deliver these contracts, therefore there is relatively small increase to the trading surplus achieved in 2015/16.

Taking both sources as a whole, LGSS and LGSS Law delivered a surplus of £20k, which is an improvement on the small deficit achieved in 2014-15 and consistent with the LGSS trading strategy.

## 9 Officers Remuneration

### Disclosure of remuneration for senior employees.

Senior employees are the LGSS Managing Director and LGSS Directors. Staff are employees of the host authorities, rather than LGSS itself.

The figures below include salary costs, expenses (travel and subsistence) and employer pension contributions.

Post holder information	Payroll	Notes	Total Remuneration					
			Basic	Honorary	Allowances	Total Remuneration excluding pension contribution	Pension contributions	Total Remuneration including pension contribution
			Salary					
			£000	£000	£000	£000	£000	£000
LGSS Managing Director	NCC	2015-16	128		4	132	16	148
		2014-15	132		3	135	16	151
LGSS Director of People, Transformation & Transactional Services	NCC	2015-16	121	19	1	141	18	159
		2014-15	122		1	123	16	139
LGSS Director of Finance and Section 151 Officer NCC	NCC	2015-16	116	3	1	120	15	135
		2014-15	115	3	4	122	15	137
LGSS Director of Law and Property and Governance	LGSS Law	2015-16	107		0	107	24	131
		CCC	2014-15	96		2	98	19
LGSS Director of IT	NCC	2015-16	114	3	3	120	15	135
	CCC	2014-15	112		1	113	22	135

### Notes

- Salary paid is dependent on length of service and performance
- The honorarium payment to the Director of People, Transformation & Transactional Services includes an amount (£9k) relating to work undertaken in 2014-15 that was paid in the 2015-16 financial year.

## 9 Officers Remuneration

The numbers of employees whose remuneration, taxable expenses and severance pay (if applicable) was £50,000 or more during the year are detailed below:

2014-15		2015-16	
LGSS Group	Pay Band	LGSS	LGSS Group
9	£50,000 - £54,999	10	11
8	£55,000 - £59,999	7	8
3	£60,000 - £64,999	5	6
4	£65,000 - £69,999	5	5
2	£70,000 - £74,999	1	2
5	£75,000 - £79,999	2	2
3	£80,000 - £84,999	4	4
4	£85,000 - £89,999	4	4
0	£90,000 - £94,999	0	0
2	£95,000 - £99,999	1	1
0	£100,000 - £104,999	1	1
0	£105,000 - £109,999	0	1
1	£110,000 - £114,999	0	0
1	£115,000 - £119,999	2	2
1	£120,000 - £124,999	0	0
0	£125,000 - £129,999	1	1
1	£130,000 - £134,999	0	0
0	£135,000 - £139,999	1	1
<b>44</b>		<b>44</b>	<b>49</b>

## 10 Termination Benefits

Total number of exit packages by cost band			Total cost of exit packages in each band (including special payments)			Total Number of exit packages by cost band			Total cost of exit packages in each band		
2014-15			2014-15			2015-16			2015-16		
LGSS			LGSS			LGSS			LGSS		
			£000						£000		
8			78 £0-£20,000			18			158		
3			90 £20,001 - £40,000			5			138		



## 11 Transactions with Related Parties

Central government has effective control over the general operations of each Council – it is responsible for providing the statutory framework within which the Councils operate and provides the majority of their funding in the form of grants. The funding that the two Councils put into LGSS is shown within Note 8.

LGSS operates with a business ethos of “By the public sector, for the public sector” and is governed by a Joint Committee including three elected Members from each County Council. The LGSS Management Board oversees the day to day and strategic operation of LGSS and comprises the Managing Director and five Directors who head up the Directorates.

It seeks to reduce the cost of business services through the consolidation of resources, process redesign and exploitation of technology.

The financial transactions of each Shareholder County are included in the respective County’s statutory accounts.

## 12 Events after the Balance Sheet Date

On the 1 April 2016, Milton Keynes Council legally became a full partner of LGSS and a member of the joint committee. Milton Keynes Council will hold an equal number of shares as Northamptonshire and Cambridgeshire County Councils, with any dividends awarded being allocated based on the number of shares held.

Also as at the 1 April 2016, 50 LGSS Law Ltd shares were allocated to Central Bedfordshire Council, to allow them to become joint owners of LGSS Law Ltd along with Northamptonshire County Council and Cambridgeshire County Council. The additional shareholder is expected to lead to an additional £1.7m in income, with 35 lawyers and 5 support staff transferring into LGSS Law from Central Bedfordshire. The LGSS Law Ltd Articles of Association were also refreshed on the 1 April 2016, to incorporate the third shareholder and the impact on the decision making processes.

## 13 Pension Schemes accounted for as defined contribution schemes

LGSS staff are formally employed by either Northamptonshire County Council or Cambridgeshire County Council and are entitled to join the Local Government Pension Scheme (LGPS). LGPS is a defined benefit scheme.

As LGSS itself is not an admitted body to LGPS it is not possible for LGSS to accurately identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes. As such, the scheme has been accounted for as a defined contribution scheme within the LGSS accounts.

Pension contributions paid during the year have been recognised within the Comprehensive Income and Expenditure Statement. Contributions paid during 2015-16 in respect of LGSS staff employed by NCC were £2.8m, with an employers contribution rate of 12.8% of pensionable pay. (2014-15: £2.5m with a contribution rate of 12.8%). Contributions paid during 2015-16 in respect of LGSS staff employed by CCC were £2.5m, with an employers contribution rate of 20.7% of pensionable pay. (2014-15: £2.7m with a contribution rate of 20%)

The actuary bases the contribution rate on actuarial valuations that take place every three years. The last such valuation was at 31 March 2013.

## 14 External Audit costs

2014-15	2015-16
LGSS	LGSS
£000	£000
<b>KPMG LLP - audit services</b>	
<b>carried out by the appointed</b>	
<b>23 auditor</b>	<b>25</b>

## LGSS Annual Governance Statement

### 1. Scope of Responsibility

The LGSS Joint Committee is responsible for ensuring that LGSS business is conducted in accordance with the law and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The LGSS Joint Committee also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, taking into account economy, efficiency and effectiveness.

In discharging this overall responsibility, the Joint Committee is responsible for putting in place appropriate arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The LGSS Joint Committee operates to Northamptonshire County Council's Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*'.

This Annual Governance Statement explains how LGSS has complied with the Code and also meets the requirements of regulation 4.2 of the Accounts and Audit Regulations 2011 as amended by the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

### 2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which LGSS is directed and controlled and through which it accounts to. It enables LGSS to monitor the achievement of its priority outcomes and to consider whether those have led to the delivery of appropriate and cost effective services.

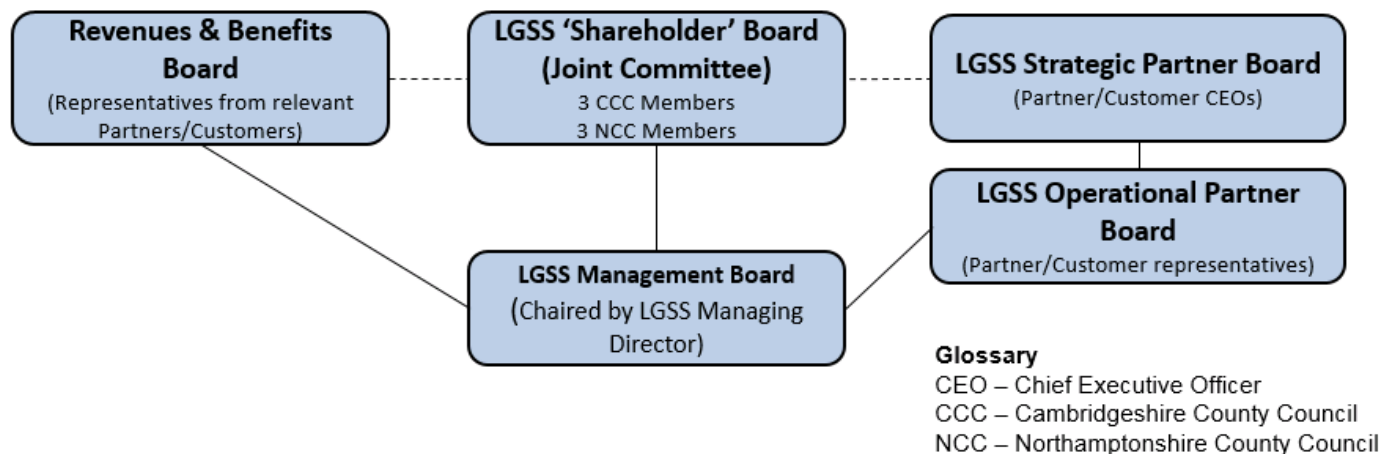
The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, core purpose and priority outcomes and can therefore only provide reasonable assurance of effectiveness.

The system of internal control is based on an on-going process designed to:

- a) Identify and prioritise the risks to the achievement of LGSS plans and priorities;
- b) Evaluate the likelihood of those risks occurring;
- c) Evaluate the impact should they occur;
- d) Manage the risks efficiently, effectively and economically.

The LGSS Strategic Business Plan delivers these points as part of the annual cycle. The governance framework has been in place in LGSS for the year ended 31st March 2016 and up to the date of approval of the annual report and statement of accounts.

### 3. The Governance Framework



The key elements of the systems and processes that comprise the governance arrangements are described below.

#### 3.1 Roles and Responsibilities of Members and Officers

Good governance means elected Members and Officers working together to achieve a common purpose with clearly defined functions and roles. The following describes how LGSS achieves this:

LGSS Joint Committee comprises 6 Members appointed by each of the two shareholding councils on a four yearly basis – 3 each from Cambridgeshire and Northamptonshire County Councils. The Joint Committee has an agreed Constitution which sets out how it operates and how decisions are made.

The scheme of delegation in LGSS is based upon the delegations operating in the two client councils.

Member and Officer codes of conduct are complied in accordance with the procedures operating within the Council which either the Member is elected to or the Officer employed by.

LGSS operates to the policies and procedures in place in each of the client councils to ensure that, as far as possible, its elected Members and Officers understand their respective responsibilities. New Members and employees receive induction and continued training on key policies and procedures as these are developed within each of the shareholding councils.

All LGSS Directors and Heads of Service have responsibility for maintaining a sound system of internal control within their area of responsibility.

### 3. The Governance Framework cont.

## Our business services: breadth and scope



### 3.2 Standards of Conduct and Behaviour

Good governance means promoting appropriate values for LGSS and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how LGSS achieves this:

A Standards Committee is in place in each shareholding council to review any complaints regarding any councillors, including LGSS Joint Committee Members, and to promote high standards of conduct and observance of the member codes of conduct (CCC and NCC).

Each council's employee code of conduct sets out managers' responsibilities to bring the code to the attention of their staff (through induction, training and instruction) and is their responsibility to take appropriate action if an employee fails to follow the code. The codes include a requirement for LGSS Officers of each council to declare any conflicts of interest and/or gifts or hospitality, which should be formally registered.

Each shareholding council has Anti-Fraud and Corruption, Whistle-blowing and Money Laundering policies in place which apply to LGSS.

### 3.3 Decision Making, Scrutiny and Risk Management

Good governance means taking informed and transparent decisions that are effectively scrutinised and manage risk. The following describes how LGSS achieves this:

The Joint Committee takes executive decisions in accordance with its terms of reference.

The two shareholding Councils have the power to review and/or scrutinise decisions made or actions taken by the Joint Committee.

LGSS is subject to internal audit review in accordance with the annual internal audit plans agreed by the audit committees of each of the client councils. LGSS Internal Audit operates in accordance with the Public Sector Internal Audit Standard. Internal Audit plans and prioritises its work chiefly using a risk based auditing approach and seeks to programme work based on risk, strength of control and materiality. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted to LGSS directors and to audit committees.

LGSS complies with Northamptonshire County Council's risk management process which is underpinned by an approved Risk Management Policy and a Risk Management Statement of Required Practice (SORP). LGSS maintains a Strategic Risk Register and directorate risk registers which are required to be subject to regular formal review as outlined within the Risk Management SORP.

### 3.4 Developing Capacity and Capability of Members and Officers

Good governance means developing the capacity and capability of Members and Officers to be effective. The following describes how LGSS achieves this:

The councillors on the Joint Committee are supported by the councillor development activity of their parent councils. Officers on the LGSS Management Board are invited to present at the councillor training/workshop sessions about appropriate topics.

Formal performance appraisal and development programmes operate within LGSS. These programmes include identifying and meeting, as appropriate, the development needs of staff. There is an induction programme for new staff and a full comprehensive learning and development programme delivered at all levels in LGSS.

### 3.5 Engaging with Stakeholders

LGSS proactively engages with each of its customers and applies the same processes to its shareholding organisations:

Good governance means engaging stakeholders to ensure LGSS delivers services which meet the needs of shareholding and customer councils. LGSS operates to Service Level Agreements with all partner and customer councils and has mechanisms for close customer engagement at all times of the year.

LGSS has a robust customer satisfaction framework.

LGSS has its own website which markets LGSS as a distinct business support service for public sector organisations regionally, separate from the two shareholding councils. The website enables current and potential customers to understand the LGSS business model, what services it can provide and what skills, expertise and other resources it can offer.

Good governance means developing and clearly communicating LGSS plans and priorities to its key stakeholders. The following describes how LGSS achieves its objectives in order of priority:

Delivery of CCC/NCC transformation and supporting customers via joint, collaborative business planning activity as described in the business case and service level agreements.

Annual refresh of the LGSS Strategic Business Plan.

Management of LGSS Governance including LGSS Joint Committee, LGSS Management Board and LGSS Partner Board.

LGSS undertakes an annual planning process which takes account of the requirements of its shareholding and customer councils along with the objective of reducing unit costs through the expansion of LGSS. LGSS is an integral part of the medium term financial planning processes of both CCC and NCC to support the delivery of their business plans and delivering the reduction of costs against their priorities;

To ensure LGSS delivers its plans, the Service Assurance, Customers and Strategy function co-ordinates the LGSS performance management framework to support the service delivery of each of the LGSS directorates. This activity is summarised as follows:

Delivery of the LGSS Customer Satisfaction Framework, which encompasses:

- Compliments, comments and complaints
- Annual survey of all users of LGSS services
- Annual Executive interview with each Customer Chief Executive
- 'In the moment' surveys of customers

Creation, monitoring and management of Service Improvement Plans for each of the LGSS directorates with quarterly reporting to customer senior management teams.

Customer engagement and relationship management with existing customers including customer contract management (partner and delegation agreement).

Business intelligence including KPI performance reporting and trend analysis

LGSS communication and customer engagement

Business development and initial engagement with potential new customers





## 4. Review of Effectiveness

LGSS has undertaken a review of the effectiveness of its governance framework, including the system of internal control. This review is informed by the work of the LGSS Directors and the Head of Internal Audit and Risk Management's annual reports.

Staff in Internal Audit and Risk Management have undertaken a basic compliance review to ensure that key aspects of LGSS' Governance Framework have been applied during 2015-16. The key evidence to support the review of effectiveness is outlined below.

### 4.1 Planning

LGSS operates a planning framework that integrates all aspects of strategic, operational and financial planning and which has the full involvement of the LGSS Joint Committee, the shareholding councils and all senior LGSS managers. This ensures financial plans realistically support the delivery of LGSS Business Plan in the short and medium term.

LGSS has developed a five year business plan (2015/16 -2019/20), which is updated annually and details the mission, values and priorities of LGSS. The five year LGSS Business Plan was approved by the LGSS Joint Committee on 26<sup>th</sup> March 2015. Within this plan there are clear objectives in place for each Directorate which align with the business trading targets and the management of the client organisation's finances.

## 4.2 Performance Management

The Service Assurance, Customers and Strategy function co-ordinates all aspects of operational performance management for LGSS. This enhances the formalisation of key aspects of LGSS governance.

The LGSS performance management framework for 2015-16 included delivery of the following key aspects:

Service delivery performance was reported to each customer organisation on a monthly or quarterly basis in accordance with the relevant customer contractual agreements.

Results and findings from the LGSS Customer Satisfaction Framework performance were reported to LGSS Joint Committee, LGSS Management Board and the senior management teams of all customer organisations.

Progress against delivery of LGSS Service Improvement Plans was reported to customers on a quarterly basis.

Additionally there is a workforce performance management process operating at all levels of LGSS including the management of staff personal performance through Performance Appraisal and Development Plan (PADP) processes which include annual and six monthly review meetings along with one to one meetings between line managers and employees.

## 4.3 LGSS Joint Committee

LGSS Joint Committee is responsible for key decisions. The Joint Committee meets formally on at least a quarterly basis and makes decisions that are in line with the overall policies and budget of LGSS. In addition, informal workshop meetings take place in between formal Joint Committee meetings as required.

During 2015/16 formal Joint Committee meetings were held on the following dates:

- 26<sup>th</sup> May 2015
- 25<sup>th</sup> June 2015
- 21<sup>st</sup> August 2015
- 10<sup>th</sup> September 2015
- 12<sup>th</sup> November 2015
- 28<sup>th</sup> January 2016
- 25<sup>th</sup> February 2016

The increase in Joint Committee meetings was in response to decision making requirements for the Milton Keynes Council business case.

Each Council nominates three elected Members and substitutes. The Member appointed as a substitute has full voting rights. Each Member complies with the Code of Conduct of their respective Council when acting as a Member of the LGSS Joint Committee. Each Council has three votes.

The Chairperson of the Joint Committee is rotated on an annual cycle between each 'shareholding' Council. Meetings of the Joint Committee must be quorate with two Members of each Council being present. If there is a quorum of Members present but neither the Chairperson nor the Vice Chairperson is present, the Members present shall designate one Member to preside as Chairperson for that meeting. The Joint Committee may delegate a function to a Sub-Committee or an Officer.

—Formal Joint Committee meetings are public meetings with the exception that the public may be excluded from a meeting where confidential information, as defined in section 100A (3) of the Local Government Act 1972, or exempt information as defined in section 1001 of the Local Government Act 1972, would be disclosed to them.

### LGSS Partner Board

LGSS Partner Board is a partner discussion forum for stakeholder engagement at a political and senior officer level.

Following the Partner Board meeting which took place on 26<sup>th</sup> May 2015 a review and refresh of the Partner Board forum was undertaken, creating two revised Partner Board forums:

- Strategic Partner Board
- Operational Partner Board

### Strategic Partner Board

The purpose of Strategic Partner Board is to enable strategic LGSS and Partner representatives to network and discuss nominated topics of common interest that will add value to the LGSS partnership at a strategic level. A review of the Terms of Reference takes place on an annual basis to ensure they remain fit for purpose.

LGSS Strategic Partner Board meets twice a year in June and November. The first meeting of the Strategic Partner Board took place on 12<sup>th</sup> November 2015.

Core members of the LGSS Strategic Partner Board are:

- Chair of LGSS Joint Committee (Chair)
- Vice-Chair of Joint Committee (or nominated substitute)
- Two attendees from each Partner organisation (or nominated substitute)
- Chief Executives of the founding LGSS authorities - Cambridgeshire and Northamptonshire County Councils
- LGSS Managing Director
- LGSS Head of Service Assurance, Customers and Strategy
- Board Secretary

The agenda for Strategic Partner Board takes an 'open forum' approach by providing:

—An opportunity to network and discuss items in an informal setting – round table with nominated topics of common interest.

—The agenda will include a 'Managing Director's' topic of interest for discussion amongst the group as well as a 'Partner' nominated discussion item.

### Operational Partner Board

The purpose of the LGSS Operational Partner Board is to focus on the common topics of interest across LGSS Partners and to discuss opportunities that will add value to the partnership. Operational Partner Board meets twice a year in July and December. The first meeting of the Operational Partner Board took place on 8<sup>th</sup> December 2015.

Core members of the LGSS Operational Partner Board are:

LGSS Management Board

One nominated Senior Responsible Owner (SRO) from each customer/partner organisation

Board Secretary



### LGSS Revenues and Benefits Board

The LGSS Revenues and Benefits Board is an advisory/consultative group and does not hold decision making powers. The Board meets twice a year and is a forum for:

Stakeholder engagement at a political and senior office level, giving an opportunity for its members to feel that they can influence the strategic direction of the Revenues and Benefits service delivered by LGSS

Customer feedback on the Revenues and Benefits service delivered by LGSS

Discussion on how to develop the LGSS Revenues and Benefits service and wider partnership arrangements

Sharing skills and knowledge

Suggest items which might be considered by the LGSS Management Board

There is a standing agenda, with the opportunity for members of the Revenues and Benefits Board to raise agenda items in advance for discussion at the meeting. Core members of the LGSS Revenues and Benefits Board are:

- LGSS Director of People, Transformation and Transactional Services (Chair)
- LGSS Head of Revenues and Benefits
- One Councillor and Senior Officer nominated from each LGSS Revenues and Benefits customer
- One representative from LGSS Management Board

### Overview and Scrutiny

LGSS is subject to scrutiny by Northamptonshire County Council's Overview & Scrutiny function. This is carried out by the Finance & Resources Scrutiny Committee, which is responsible for budget matters, corporate performance and corporate support functions.

The Committee scrutinises LGSS headline performance and the development and delivery of the LGSS Business Plan. The Committee may also choose to investigate issues associated with LGSS and make recommendations that seek to improve the quality of services that it delivers.

Executive decisions by the LGSS Joint Committee are subject to the Council's call-in process, which enables decisions taken, but not yet implemented, to be referred to Overview & Scrutiny to review whether the decision-making process operated correctly. Any such call-ins would be considered by the Council's Scrutiny Management Committee.

Due to their current committee structure, Cambridgeshire County Council does not have a separate scrutiny function. However, the General Purposes Committee undertakes regular monitoring of LGSS Managed budgets.

### LGSS Management Board

The LGSS Management Board meets monthly formally with the following core attendees:

- Managing Director
- Director of Finance
- Director of IT Services
- Director of Law, Procurement and Governance
- Director of People, Transformation and Transactions
- Head of Service Assurance, Customers and Strategy
- Chief Executives of the two shareholder/partner councils.

In addition LGSS Management Board meets informally with all above attendees minus the Chief Executives of the shareholding councils.

- Each LGSS Director has provided a self assurance statement in respect of 2015-16 that:
- They fully understand their roles and responsibilities
- They are aware of the principal statutory obligations and key priorities of LGSS and of the client and customer councils which impact on their services
- They have made an assessment of the significant risks to the successful discharge of LGSS' key priorities.
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks

### Independent Assurance

The LGSS Head of Internal Audit annually agrees the LGSS Internal Audit Plan for the financial year with the Managing Director and the LGSS Management Board. This is in line with CCC and NCC policies and procedures.

Internal Audit has undertaken a number of reviews of activities undertaken within the LGSS environment. It should be noted that from September 2015, LGSS Internal Audit moved to giving two assurance opinions when completing audits:

- Control Environment Assurance
- Compliance Assurance

The tables below detail the five levels for each of these assurance opinions.

A review of the Head of Internal Audit and Risk Management's 2015-16 annual reports to the audit committees of the two shareholding councils indicates that the control environment and compliance assurance levels for the internal control over the systems and processes managed within the LGSS environment are largely 'substantial'.

In a small number of instances where the assurance level was deemed either as 'good' or 'moderate' actions have been agreed with management which, when implemented, should raise the assurance level for these audit areas to substantial.

Control Environment Assurance	
Level	Criteria definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment
Good	There are minor control weaknesses that present low risk to the control environment
Moderate	There are some control weaknesses that present a medium risk to the control environment
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment

Compliance Assurance	
Level	Criteria definition
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected
Moderate	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

## 4.9 External Audit

Whilst LGSS is not a separate legal entity, the Audit Commission has advised that owing to the growth of LGSS, it should be subject to external audit review. Therefore as from 2013-14 KPMG LLP was appointed as LGSS' External Auditor.

## 4.10 Risk Management

LGSS complies with Northamptonshire County Council's risk management process which is underpinned by an approved Risk Management Policy and a Risk Management Statement of Required Practice (SORP). LGSS maintains a Strategic Risk Register and directorate risk registers which are required to be subject to regular formal review as outlined within the Risk Management SORP. There is an annual review of the risk registers and business continuity plans which are aligned to the respective shareholder processes.

There is an annual review of the LGSS Strategic Risk Register by LGSS Management Board and the LGSS Directorate risk registers are reviewed quarterly via Directorate Management Team meetings.

## 4.11 Developing Capacity

LGSS has operated procedures during the period covered by this Statement to ensure training needs of staff are assessed against core competencies and any key training needs met. Additionally both client councils have provided, or are in the process of providing, appropriate training to Joint Committee councillors to enable them to effectively fulfil their duties in relation to LGSS and other activities.

## 4.12 Engagement

LGSS has engaged with its customers throughout 2015/16 via the following channels:

Monthly/Quarterly Customer performance meetings (as per Customer Contract) and presentations to the customer senior management teams  
LGSS Managing Director meetings with LGSS Joint Committee Chair/Vice-Chair

Senior Responsible Officer (SRO) quarterly one to one meetings with Customer Chief Executive or nominated senior manager

Client Services Manager (CSM) monthly one to one meetings with Customer Chief Executive or nominated senior Manager

Strategic Partner Board

Operational Partner Board

LGSS Customer Feedback channel

In addition, the LGSS website is current and appropriate to promote the LGSS offering, and LGSS uses LinkedIn and Twitter.

## 4.13 Significant Governance Issues

There are robust governance arrangements for LGSS based on the founding authorities' financial policies and procedures based on, and an integral part of, the NCC and CCC portfolio and procedures.

## 5. Conclusion and Evaluation

As Chair of the LGSS Joint Committee and LGSS Managing Director, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within LGSS to ensure effective internal control is maintained. This is subject to both internal and external audit procedures.

We are also satisfied that there are appropriate plans in place to continue to deliver improvements to meet the governance arrangements requirement to meet the financial policies and procedures and to seek continuous improvement in the system of internal control.

Councillor

Chairman of the LGSS Joint Committee

Date:

John Kane

LGSS Managing Director

Date:

## Appendix 1: LGSS Joint Committee Terms of Reference

### TERMS OF REFERENCE FOR THE LOCAL GOVERNMENT SHARED SERVICES (LGSS) JOINT COMMITTEE

The LGSS Joint Committee is established pursuant to an agreement between Cambridgeshire County Council, Northamptonshire County Council, and Milton Keynes Council. The Joint Committee's remit is to have overall responsibility for the provision, to the Councils, of shared services through the LGSS arrangements.

The constitution of the Joint Committee is set out below, and the specific delegations to the Joint Committee and to the senior officers of the LGSS management team are set out in a scheme of delegation contained in Annex 'A'.

#### Constitution of the Joint Committee

1. Each of the Councils shall appoint three Members (being elected members of that Council) as its nominated Members of the Joint Committee. The Members appointed shall have full voting rights.
2. Each Council may nominate one or more substitute Members to attend any meeting in place of an appointed Member from that Council, subject to notification being given to the Secretary to the Joint Committee before the start of the meeting. The Member appointed as a substitute shall have full voting rights where the member for whom they are substituting does not attend. If a Council's nominated Members attend a meeting of the Joint Committee, any named substitute may also attend as an observer but shall not be entitled to vote.
3. Each Member of the Joint Committee shall comply with the Code of Conduct of their Council when acting as a Member of the Joint Committee.
4. Each of the Councils may remove any of its nominated Members or

substitute Members of the Joint Committee and appoint a different Member or substitute to the Joint Committee by giving written notice to the Secretary to the Joint Committee.

5. Each Council shall have three votes. These shall be exercised by the nominated Members who are elected members of the Council. In the absence of a Council's nominated Member, a vote may be exercised by the named substitute who is an elected member of the Council.
6. Each Member of the Joint Committee shall serve upon the Joint Committee for as long as he or she is appointed to the Joint Committee by the relevant Council but a Member shall cease to be a member of the Joint Committee if he or she ceases to be a Member of the Council appointing him or her or if the relevant Council removes him or her as a Member of the Joint Committee.
7. Any casual vacancies howsoever arising shall be filled by the Council from which the vacancy arises by notice in writing sent to the Secretary to the Joint Committee.
8. Meetings of the Joint Committee shall be held at the venue or venues as agreed by the Councils.
9. The appointment of a Chairman and a Vice Chairman shall be rotated between the Councils annually from 1st August each year as set out in the table below. The rotation process shall be repeated for subsequent years. The Members appointed as Chairman and Vice Chairman shall remain in their respective appointed roles until the first meeting taking place after the elapse of one year from their appointment unless either such Member ceases to be a Member of the Joint Committee.

	2015-16	2016-17	2017-18	2018-19
Joint Committee Chair	CCC	NCC	MKC	CCC
Joint Committee Vice Chair	NCC	MKC	CCC	NCC

10. The Joint Committee shall meet at least once every three months (quarterly) unless otherwise determined by the Joint Committee.
11. The Secretary to the Joint Committee may call additional meetings by providing at least five clear days' notice to Members of the Joint Committee, for the purposes of resolving urgent matters arising between the meetings of the Joint Committee. The Secretary to the Joint Committee must call a meeting of the Joint Committee if at least one Member of the Joint Committee from each Council requests it or the Head of Paid Service of each Council requests it.
12. Meetings shall be notified to Members of the Joint Committee by the Secretary to the Joint Committee.
13. The Secretary to the Joint Committee shall send electronically to all members and relevant officers of each Council the agenda for each meeting of the Joint Committee no later than five clear Business Days before the date of the relevant meeting. The Secretary to the Joint Committee shall send to all Members of the Joint Committee, to the Political Group Leaders of each Council and relevant officers of each Council, printed (or electronic if individually preferred) copies of the agenda for each meeting of the Joint Committee no later than five clear working days before the date of the relevant meeting.
14. The Secretary to the Joint Committee shall arrange for written minutes to be taken of each meeting of the Joint Committee and shall present them to the Joint Committee at its next meeting for approval as a correct record. If the Joint Committee confirms that the minutes contain an accurate record of the previous meeting, those minutes shall be signed by the Chairman or Vice-Chairman.
15. Meetings of the Joint Committee will commence at a time to be agreed by the Joint Committee.
16. A meeting of the Joint Committee shall require a quorum of one Member of each Council who are entitled to attend and vote. If there is a quorum of members present but neither the Chairman nor the Vice -Chairman is present, the Members present shall designate one Member to preside as Chairman for that meeting.
17. Subject to the provisions of any enactment, all questions coming or arising before the Joint Committee shall be decided by a majority of the Council Members of the Joint Committee immediately present and voting thereon. Subject to the provisions of any enactment, in the case of an equality of votes the Chairman shall have a second or casting vote but before exercising this, the Chairman shall consider whether it is appropriate to defer the matter to the next meeting of the Joint Committee.
18. Any Member of the Joint Committee may request the Joint Committee to record the votes of individual Members of the Joint Committee on a matter for decision.
19. A Member when speaking shall address the Chairman. If two or more Members wish to speak, the Chairman shall call on one to speak. While a Member is speaking other Members shall remain silent.
20. A Member shall direct his/her speech to the question under discussion or to a personal explanation or to a point of order.
21. Only one amendment to a proposal may be moved and discussed at a time and no further amendment shall be moved until the amendment under discussion has been disposed of, providing that the Chairman may permit two or more amendments to be discussed (but not voted on) together if circumstances suggest that this course would facilitate the proper conduct of the Joint Committee's business.
22. If an amendment be lost, other amendments may be moved on the original motion. If an amendment be carried, the motion as amended shall take the place of the original motion and shall become the motion upon which any further amendment may be moved.

23. The order of business shall be indicated in the agenda for the meeting.
24. When a motion is under debate by the Joint Committee no other motion shall be moved except the following:
  - 24.1 to amend the motion;
  - 24.2 to adjourn the meeting;
  - 24.3 to adjourn the debate;
  - 24.4 to proceed to the next business;
  - 24.5 that the question be now put;
  - 24.6 that a Member be not further heard;
  - 24.7 by the Chairman that a Member do leave the meeting;
  - 24.8 a motion under Section 100(A)(4) of the Local Government Act 1972 to exclude the public;
  - 24.9 to postpone consideration of the item.
25. A Member may move without comment at the conclusion of a speech of another Member, "That the Committee proceed to the next business", "That the question be now put", "That the debate be now adjourned", or "That the Committee do now adjourn", on the seconding of which the Chairman shall proceed as follows:
  - 25.1 on a motion to proceed to next business; unless in his opinion the matter before the meeting has been insufficiently discussed put to the vote the motion to proceed to the next business
  - 25.2 on a motion that the question be now put; unless in his opinion the matter before the meeting has been insufficiently discussed he shall first put to the vote the motion that the question be now put
  - 25.3 on a motion to adjourn the debate or the meeting; if in his opinion the matter before the meeting has not been sufficiently discussed and cannot reasonably be sufficiently discussed on that occasion put the adjournment motion to the vote.
- 25.4 The ruling of the Chairman shall not be open for discussion.
26. Any member of the Councils who is not a Member of the Joint Committee is entitled to attend the Joint Committee but he/she shall not be entitled to vote, shall not take part in the consideration or discussion of any business, save by leave of the Chairman and comments will be recorded only on the direction of the Chairman. A Councillor who attends a meeting in this capacity will be entitled to remain in the meeting when a resolution excluding the public is in force.
27. Meetings of the Joint Committee will be open to the public except to the extent that they are excluded under paragraph 29.
28. Members of the public wishing to address the Joint Committee (or a sub-committee of the Joint Committee) on Part I reports contained within the agenda for the meeting shall be given the opportunity to do so subject to:
  - 28.1 the opportunity being extended to one person to speak in support of each agenda item and one person to speak against each agenda item when called to do so by the Chairman;
  - 28.2 an indication of the desire to speak on the agenda item being made by the person just prior to the meeting and the name supplied to the Committee Secretary in attendance (by means of the register), the first person registering to have precedence in the event of more than one person wishing to speak either for or against the agenda item;
  - 28.3 each person addressing the Joint Committee or sub-committee of the Joint Committee being limited to three minutes' speech;
  - 28.4 an opportunity being provided for an expression of a contrary view, even though no prior notice has been given, when a member of the public has spoken for or against the item;



- 28.5 in the event of the person having registered to speak on an agenda item not wishing to take up their right to speak on the agenda item because it was deferred, that person will automatically be given the right to speak on the agenda item at the next meeting of the Joint Committee or sub-committee of the Joint Committee; the Chairman of the meeting having discretion to rule that a person wishing to address the meeting shall not be heard if, in his/her opinion, that issue or the organisation or the person wishing to make representation on that issue has received an adequate hearing.
29. The public may be excluded from a meeting of the Joint Committee during an item of business whenever it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that, if members of the public were present during that item, confidential information as defined in section 100A(3) of the Local Government Act 1972 or exempt information as defined in section 100I of the Local Government Act 1972 would be disclosed to them.
30. The Joint Committee may delegate a function to a Sub-Committee or an officer.
31. Any contractual arrangements that relate to a Shared Service will be undertaken by one of the Councils on behalf of the other Councils and that Council will apply its own financial regulations and contract procedure rules until such time as the Joint Committee adopts its own financial regulations and contract procedure rules. The LGSS Director of the relevant Shared Service that is incurring the expenditure will normally determine which of the Councils' financial regulations and contract procedure rules will apply and in the event of any dispute or uncertainty the matter should be referred to the LGSS Managing Director for decision.
32. The Secretary to the Joint Committee shall provide governance and secretarial support services to the Joint Committee on such terms as may be agreed from time to time between the Councils. The Councils shall make available committee officers to provide administrative services at the meetings of the Joint Committee.
33. The Lawyer to the Joint Committee shall provide legal advice and support services to the Joint Committee on such terms as may be agreed from time to time between the Councils.
34. The Finance Officer to the Joint Committee shall provide financial support services to the Joint Committee on such terms as may be agreed from time to time between the Councils.





