

LGSS JOINT COMMITTEE

Date: Thursday, 28 February 2019

Democratic and Members' Services

Fiona McMilan
Monitoring Officer
Shire Hall
Castle Hill
Cambridge
CB3 0AP

14:00hr

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

AGENDA

Open to Public and Press

- | | | |
|----------|---|----------------|
| 1 | Apologies for absence and declarations of interest | |
| 2 | Minutes - 14th December 2018 | 5 - 14 |
| 3 | LGSS Budget Monitoring Report - December 2018 | 15 - 32 |
| 4 | LGSS Budget 2019-20 Update | 33 - 40 |
| 5 | ERP Gold Update | 41 - 46 |
| 6 | Succession Planning for Northamptonshire
<i>Oral item</i> | |
| 7 | Exclusion of Press and Public | |

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

8 LGSS Annual Report and Statement of Accounts Update

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

9 Business Development Update

Oral update

10 Operating Model and CIPFA Review Update

Oral

The LGSS Joint Committee comprises the following members:

Councillor Chris Boden (Chairman) Councillor Robert Middleton (Vice-Chairman)

Councillor Ric Brackenbury Councillor Malcolm Longley Councillor Andy Mercer Councillor Catriona Morris and Councillor Bob Scott Councillor Sebastian Kindersley and Councillor Terence Rogers

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

Clerk Name: Daniel Snowdon

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Council and political Group Leaders which can be accessed via the following link or made available on request: <http://tinyurl.com/ccc-film-record>.

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

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LGSS JOINT COMMITTEE: MINUTES

Date: Friday, 14th December 2018

Time: 2.00pm – 4.45pm

Place: Room 214, Angel Square, Northamptonshire County Council, Northampton.

Present: Cambridgeshire County Council (CCC):
Councillors Chris Boden, Nichola Harrison and Terry Rogers

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

Northamptonshire County Council (NCC):
Councillor Bob Scott

Others in attendance:

M Cox (Director of Human Resources), S Day (Acting Director of IT Services), James Smith (Deputy S151 Officer Northamptonshire County Council), Justine Hartley (Head of Business Planning and Finance LGSS), Jon Lee (Head of Integrated Finance LGSS), Fred Lynch (CIPFA), John O' Hallaran (CIPFA), Paul Simpson (S151 Officer Milton Keynes Council) and Daniel Snowdon (Democratic Services Officer), Duncan Wilkinson (Head of Internal Audit LGSS).

Apologies: Councillors Kindersley and Morris

61/18 NOTIFICATION OF CHAIRMAN FOR 2018/19

It was proposed by Councillor Rogers and seconded by Councillor Harrison with the unanimous agreement of the Committee that Councillor Boden be appointed Chairman of the LGSS Joint Committee for 2018/19

62/18 NOTIFICATION OF VICE-CHAIRMAN 2018/19

It was proposed by Councillor Scott and seconded by Councillor Rogers that Councillor Middleton with the unanimous agreement of the Committee be appointed as Vice-Chairman for 2018/19.

63/18 DECLARATIONS OF INTEREST

None.

64/18 MINUTES – 30TH AUGUST 2018

The minutes of the meeting held on 30th August 2018 were agreed as a correct record and signed by the Chairman.

65/18

UPDATE ON LGSS ANNUAL REPORT AND STATEMENT OF ACCOUNTS

Members received an oral update regarding the progress of the LGSS Annual Report and Statement of Accounts. Members were informed that the audit was underway and good progress had been made. As of 30th October the audit had been paused due to resources having to be directed to high risk audit at Northamptonshire County Council (NCC) and Northampton Borough Council (NBC) which required prioritisation, secondly there were vacancies which had to be managed and the review undertaken by the Chartered Institute of Public Finance and Accountability (CIPFA) while not directly impacting it had lead to resource in other areas being directed to its work that would have otherwise undertaken tasks for the audit. It was anticipated that KPMG would complete the audit by February 2019.

During the course of discussion Members:

- Clarified that the statutory accounts mentioned in the officer presentation related to NCC and NBC. LGSS accounts were not a statutory requirement. Both the NCC and NBC audits had been deemed to be high risk by the auditors and therefore a greater level of scrutiny was being undertaken.
- Confirmed that to date there had been no issues that had been deemed significant with regard to the LGSS audit.
- Noted that sampling sizes were large during the previous years' audit, therefore interim sampling was conducted earlier in the year however the quality of the evidence samples received were not of good enough quality and therefore further samples and clarification was required.
- Questioned the level of resources in the team and whether this had impacted upon the service. Officers explained that the service was carrying vacancies and that the level of resources was on creation of the Integrated Finance Service was designed to deliver a number of savings, which had been achieved. However some of the savings were based on ~~through~~ the roll-out of the new ERP system and associated efficiencies which were yet to be achieved, therefore it was difficult to properly quantify the impact but the team does have resource issues.
- Questioned the level of risk regarding further delays and slippage. Officers were confident that there was a low risk of further delay as a large amount of work had already been completed.

It was resolved:

To note the update provided.

66/18

LGSS BUDGET MONITORING REPORT – OCTOBER 2018

Members received the October 2018 iteration of the LGSS Budget Monitoring Report. In presenting the report officers highlighted end of October position in section 4 of the report that showed a £215k overspend, of which £150k related to an agreed overspend regarding internal audit costs that would be returned to Northamptonshire County Council (NCC) at year end.

Members noted the reduction in Managing Director costs as an interim was no longer being used to fill the position.

Attention was drawn to the additional savings targets that had been set by NCC of which £50k remained to be achieved. Officers informed Members that those savings would be achieved and reflected in the next months report. The LGSS trading position was highlighted which had moved to a pressure of £79k. The impact of the operating model review work and the financial position of NCC had impacted upon the ability of LGSS to gain additional business. Members noted that the pressure relating to trading would be split at year end between Cambridgeshire County Council (CCC) and NCC.

During discussion Members:

- Noted that MKC were in fact in positive variance as the council was not exposed to the £79k pressure that related to the LGSS trading targets. Members therefore requested that in future iterations of the report information be split by partner council. **ACTION**
- Confirmed that the spending on the partnership contingency fund for ERP had reduced due to a reduction in staff costs and not due to any reduction in infrastructure. It was noted that following the estimate provided by services, for example the HR directorate, technological solutions had been implemented to effect mass changes and therefore reduced what was required from the contingency fund.
- Noted the agreed overspend of £150k relating to the NCC Internal Audit function would be returned to NCC at year end and furthermore NCC were committed to its funding in subsequent years.
- Noted that the LGSS trading account was significant in size and that the LGSS Strategic Plan was focussed on growing the trading arm of LGSS. As growth in trading had not been achieved to the planned extent focus

was being given to areas where trading performance was good to achieve more and offset some of the pressure.

- Expressed concern that due to the additional savings requested by NCC and the overall impact of NCC's financial position it was inevitable both MKC and CCC would be affected and requested that officers ensure there were equitable distribution of resources across the three partners. Officers assured Members that maintenance of service provision to all partners was a priority and being managed so that it was inevitable.
- Confirmed that the red indicators reported within the savings tracker were unlikely to change before year end however, attention was being afforded to the amber indicators of which many had been moved to a green position. Members noted that the risk of the financial position becoming worse was small because the figures supporting the red indicators were reflected in the budget monitoring report.

It was resolved unanimously to:

- a) Note the financial monitoring position as at 31st October 2018
- b) Note the capital monitoring position regarding LGSS capital projects.

67/18

LGSS INTERNAL AUDIT PLAN 2018-19

The Joint Committee received the LGSS Internal Audit Plan for 2018-19. Presenting the report, the Head of Internal Audit introduced the internal audit processes and regulations and statutory guidance. The proposed internal audit plan straddled 2018/19 and 2019/20 and were merged due to being close to the end of 2018. Members noted that standards defined that modern audit plans should at their longest be for year and be flexible to meet demand, unknown risks and changing needs.

Members noted the risk management service provided to LGSS and facilitation of a risk register and also the economy of scale achieved by only have to complete an audit once across the three partner councils.

During a discussion of the report, Members:

- Drew attention to the significant challenges facing LGSS that drew attention to the important work of Internal Audit.
- Requested that cyber security be included in the audit plan. Officers confirmed that it would be added and would include disaster recovery.
- Questioned the governance arrangements and queried where audit reports were reported to. Officers explained that due to LGSS being a shared service it did not fit a standard model and therefore sought

Member's consideration of whether a separate LGSS audit committee should be established or whether the audit function could be incorporated within the current role of the LGSS Joint Committee or the LGSS Joint Scrutiny Working Group. Officers confirmed that a quarterly audit report would be presented to the LGSS Joint Committee. Members welcomed the quarterly audit reports that would be presented to the Joint Committee and discussed at length the various options for Member oversight of audit. Members were reluctant to form a view regarding governance arrangements without having considered all the options more thoroughly and therefore requested that a report be presented to the next meeting of the LGSS Joint Committee that considered the various options. **ACTION**

- Members requested that the Chairs and Vice-Chairs of each of the partner council's Audit Committees be consulted and their views sought in relation to possible governance options. **ACTION**
- Questioned whether as there was a greater transactional audit, internal controls were being relied on less. The Head of Internal Audit confirmed that internal controls were being relied on less but that was not because they were not effective. The status of Northamptonshire Fire Authority had for example changed and it was therefore not possible to rely on the previous historical evidential base. Another example was the introduction of the new ERP system which for the first time brought together threads that had not been previously tested.

It was resolved unanimously to:

- a) Note and approve the combined LGSS 2018/19 and 2019/20 audit plans.
- b) Request cyber security and LGSS governance be included within the proposed audit plan.
- c) Note that given other unplanned pressures on Internal Audit and the LGSS change agenda the 2018-19 work will be programmed as part of a combined 2018-20 audit plan. The Annual Audit Opinion for 2018-19 will therefore place reliance on testing associated with client transaction as opposed to the corporate governance of LGSS as a shared service entity with delegated powers unanimous

68/18

UPDATES TO SCHEDULE 2 OF THE DELEGATION AND JOINT COMMITTEE AGREEMENT

The Joint Committee received a report that set out the changes required to Schedule 2 of the Delegation and Joint Committee Agreement. In presenting the report officers informed Members that following the repatriation of the

Democratic Services and Strategic Finance functions from LGSS to NCC a complete review of the Delegation and Joint Committee Agreement was undertaken in order ensure it was brought up to date.

During the course of discussion Members:

- Noted that the changes represented a house keeping exercise in bringing the agreement up to date following recent changes.
- Confirmed that all changes had been presented and approved by the LGSS Joint Committee but the agreement had not been updated at the time.
- Discussed at length the governance arrangements that surrounded the LGSS Revenues and Benefits Joint Committee and sought further clarity on how and why the Joint Committee was established and questioned whether it should produce a separate statement of accounts. Officers undertook to provide Members a briefing note that set out the historical context, a structure chart that provided lines of responsibility and accountability and clarify the financial reporting of the Revenues and Benefits Joint Committee.

ACTION

- Noted that 15 days in quarter 4 of the current year's audit plan included Revenues and Benefits governance and the issues discussed would be entered into the audit brief.
- Noted that any losses relating to the Revenue and Benefits function would be a matter for MKC and Northampton Borough Council (NBC).
- Noted the benefits relating to openness and transparency of producing non-statutory separate accounts for LGSS which allowed interrogation of LGSS' performance more easily.

It was resolved to:

Approve updates to Schedule 2 of the Delegation and Joint Committee Agreement following recent changes in responsibilities

69/18

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).

**70/18 NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE
AUTHORITY**

Members received report relating to Northamptonshire Commissioner Fire and Rescue Authority (NCFRA).

It was resolved to:

Agree the recommendations as set out in the report.

71/18 UPDATE ON THE LGSS OPERATING MODEL AND CIPFA REVIEW

The Joint Committee received a presentation from CIPFA regarding the LGSS operating model review.

It was resolved to:

Note the update provided and approve the additioanl
recommendations tabled at the meeting.

72/18 ERP UPDATE

Members received an update relating the implementation of the Unit4 Businessworld ERP system.

Councillor Rogers left the meeting at 16:40

73/18 NEW BUSINESS DEVELOPMENT

An update was presented together with a briefing note tabled at the meeting that provided an update with regard to LGSS new business development. Officers highlighted the main areas of development contained within the briefing.

In noting the update provided, Members commented that until the future of LGSS was resolved then new business development would remain challenging.

It was resolved to note the update provided.

Chairman

LGSS JOINT COMMITTEE

Minutes-Action Log



Agenda Item No: 2a
Cambridgeshire
County Council

Introduction:

This log captures the actions arising from the LGSS Joint Committee on 14th December 2018 and updates Members on progress in delivering the necessary actions.

Minute No.	Item	Action to be taken by	Action	Comments	Status & Estimated Completion Date
66/18	LGSS Budget Monitoring Report – October 2018	Justine Hartley	Members requested that in future iterations of the report information be split by partner council.	Complete for November report and will continue going forwards.	Complete
67/18	LGSS Internal Audit Plan 2018/19	Duncan Wilkinson	Members requested that a report be presented to the next meeting of the LGSS Joint Committee that considered the various options	To be brought to first meeting of 2019/20 pending outcome of the CIPFA review	Complete
67/18	LGSS Internal Audit Plan 2018/19	Duncan Wilkinson	Members requested that the Chairs and Vice-Chairs of each of the partner council's Audit Committees be consulted and their views sought in relation to possible governance options	To be brought to first meeting of 2019/20 pending outcome of the CIPFA review	Complete
67/18	LGSS Internal Audit Plan 2018/19	Duncan Wilkinson	Request cyber security and LGSS governance be included within the proposed audit plan	To be brought to first meeting of 2019/20 pending outcome of the CIPFA review	Complete
68/18	Updates to Schedule 2 of the Delegation and Joint Committee Agreement	Justine Hartley	Officers undertook to provide Members a briefing note that set out the historical context, a structure chart that provided lines of responsibility and accountability	Circulated 18th Jan	Complete

Minute No.	Item	Action to be taken by	Action	Comments	Status & Estimated Completion Date
			and clarify the financial reporting of the Revenues and Benefits Joint Committee		
71/18	Update on LGSS Operating Model and CIPFA Review	S151 Officers	S151 Officers to provide an update to Members of the Joint Committee at the end of week commencing 17th December		
72/18	ERP Gold Update	Steve Day	Officers undertook to circulate ERP performance statistics to Members		

LGSS Joint Committee**28th February 2019****Subject: LGSS 2018-19 Budget Monitoring****Actions:**

- 1. Note the financial monitoring position as at 31th December 2018**
- 2. Note the capital monitoring position regarding LGSS capital projects.**
- 3. Approve the use of £216k from the partnership contingency to meet the costs of:**
 - Bacs system replacement**
 - AP duplicate payment checker solution; and**
 - the current data capture solution.**

Section 1 - Executive Summary

1. This report is the combined LGSS financial monitoring report consolidating the delegated budgets from the three core councils. The benefits to the councils are embedded within the budgets and a zero outturn position would mean that all benefits have been met for each authority's budget proposals for 2018-19. At the end of the year if there is a surplus, this would be considered by Joint Committee for reinvestment and future commitments. In the event of a deficit and no other reserves it would be split between the core councils on the basis of net budget, as per the partnering agreement.
2. LGSS Joint Committee agreed the repatriation of NCC Professional Finance and Democratic Services to NCC on 30th August and the budgets for these services have now been removed from this report.

Revenue position

3. The forecast variance for Operational Services at the end of December is an overspend of £185k, of which:
 - £125k is an NCC specific pressure - £150k pressure in relation to savings expectations for the Audit Service offset by £25k specific grant contribution to HR costs
 - £91k relates to shared service overspends
 - £25k is an NCC specific pressure in relation to a saving which has been delivered by LGSS for 2018-19 but the saving sits within the NCC Adult Social Care budget rather than in LGSS
 - £79k are pressures in relation to the set trading targets
 - -£73k is an agreed contribution from the partnership contingency to offset the additional costs of the interim Managing Director.
 - -£62k is a proposed contribution from the partnership contingency to offset the costs of the current data capture solution.

Of the forecast variance of £185k, £150k is NCC specific, leaving an LGSS partnership overspend of £35k. This is a very similar position to that reported for November but reflecting the greater proposed contribution from the partnership contingency. Further detail is set out in section 2 and Appendix 1.

	Previous LGSS Net Variance £000	Full Year Budget £000	Current LGSS Net Forecast Variance £000
Total LGSS Services	217	41,405	216
Trading Account / Partnership Contingency / Budget issues to be resolved	42	-12,628	-31
Total LGSS Operational	234	28,777	185

4. The main changes since the November report are summarised below (detail is contained in appendix 1):
 - LGSS Management Board, on 6th February 2019, endorsed the use of £216k of the LGSS partnership contingency to fund the following developments and costs for the benefit of the partner councils:
 - Bacs system replacement
 - AP duplicate payment checker solution; and

➤ remaining costs of the current data capture solution.

Joint Committee is recommended to approve the use of the contingency for these purposes. Of the £216k, £64k relates to costs to be incurred in the 2018-19 financial year which is reflected in the numbers above and has reduced the forecast overspend in the Finance Services Directorate.

- The Finance Directorate position has improved by £4k compared to last month in addition to the new partnership contingency contribution.
 - The HR Directorate position has worsened by £14k compared to last month.
 - The LGSS Managing Director and Support position has improved by £12k compared to last month.
 - The forecast contribution from the partnership contingency to fund the additional costs for the interim LGSS Managing Director has reduced by £14k reflecting the receipt of final invoices.
5. Robust action is being taken to mitigate the forecast overspend including: review of vacant posts to identify savings, revisiting trading targets particularly around digital and Learning and Development services, and further work on the Language Service to continue to improve the income position and reduce the forecast overspend.
6. The split of the forecast outturn between the 3 partner councils is shown below:

	CCC £'000	MKC £'000	NCC £'000	Total £'000
Forecast (under)/overspend position by Council	1	-5	188	185

LGSS are receiving the following funding from individual authorities in 2018/19 to fund specific work being undertaken on their behalf:

- £90k from NCC Children's for social care recruitment;
- £25k from NCC Public Health to fund Health and Safety work; and
- £90k transformation funding from CCC for HR support to the CCC transformation programme.

Any underspend arising as a result of these funding streams is assumed to be attributed to the Council from which the funding came.

7. Savings delivery – At this stage of the year the savings tracker is showing £413k of savings rated red, £54k rated amber and £2,393k rated green.

Reserves position

8. The balance in LGSS reserves at 1 April 2018 was £76k.
9. The partnership contingency has a budget during 2018-19 of £648k as set out in the LGSS Strategic Plan. Any remaining balance in the contingency budget at year-end will be transferred to LGSS reserves. As noted above, LGSS Management Board on 6th February endorsed the use of £216k of the LGSS partnership contingency to fund developments for the benefit of the partner councils and Joint Committee is recommended to approve these transfers. The remaining balance forecast to be transferred from the contingency budget to the LGSS general reserves at year-end is £59k. Further detail is provided in Appendix 3.
10. The forecast year end uncommitted balance in LGSS reserves is £135k.

Budget Reconciliation

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

Capital Position

12. The capital position at the end of December can be seen in the table below, further detail is shown in Appendix 5.

Authority	Exp Budget	Forecast Total Life of Project	Over / (Under) Spend v Approved Exp
	£000	£000	£000
CCC	2,025	2,025	0
NCC	21,647	21,377	-270
MKC	6,885	6,885	0

Section 2 - LGSS Operational – December 2018

	Previous Forecast Variance £000	Full Year Budget £000	Full Year Forecast Variance £000	Transfers from contingency £000	Outturn Variance £000
Finance Services	211	13,287	207	-62	145
Human Resources	-70	9,044	-56	0	-56
Information Technology Services	0	17,395	0	0	0
Managing Director & Support	77	1,683	65	-73	-8
Total LGSS Services	217	41,405	216	-135	81
Trading Account	79	-13,251	79	0	79
Partnership Contingency	-87 [^]	648	0	0	0
NCC Budget items to be resolved	25	-25	25	0	25
Total LGSS Operational	234	28,777	320	-135	185

[^] The anticipated contributions from the partnership contingency are now shown in the "Transfers from contingency" column

Revenue position

- The forecast outturn variance on LGSS Services at the end of December is an overspend of £216k, of which £125k is directly attributable to NCC. In addition:
 - there is an anticipated pressure of £79k on the trading account, which will be split between CCC and NCC at year-end;
 - it has been agreed that a transfer will be made from the partnership contingency to cover the additional costs of the LGSS interim Managing Director £73k;
 - it is proposed that a further transfer is made from the partnership contingency in year to cover the costs of the current data capture solution £62k; and
 - there is a budget issue to be resolved with NCC of £25k. This relates to a savings target, which has been delivered in 2018-19 by LGSS, although the budget is held by NCC, thereby creating a pressure in the LGSS forecast.
- Overall, this gives a forecast LGSS operational overspend of £185k of which £150k is attributable to NCC and £35k to LGSS. Further detail and commentary is provided at Appendix 1.
- LGSS Management Board, on 6th February 2019, endorsed the use of £216k of the LGSS partnership contingency to fund the following developments and costs for the benefit of the partner councils:
 - Bacs system replacement
 - AP duplicate payment checker solution; and
 - remaining costs of the current data capture solution.

Further details of these funding requests are set out in Appedices 3 and 6. Joint Committee is recommended to approve the use of the contingency for these purposes.
- Of the £216k of additional partnership contingency funding, £64k relates to costs to be incurred in the 2018-19 financial year which is reflected in the numbers above. The remaining £152k relates to spend in future years and if approved will be transferred to LGSS earmarked investment reserves at year end.
- NCC has issued a Stabilisation Plan to address in year budget issues, including the £150k specific pressure referred to above. As part of that plan NCC has set a target for LGSS to deliver additional savings of £336k across delegated and managed budgets in 2018/19. LGSS is working to identify reductions to service provision to NCC to meet this target avoiding any impact to service provision to CCC and MKC. To date £220k has been delivered against the £336k savings target.

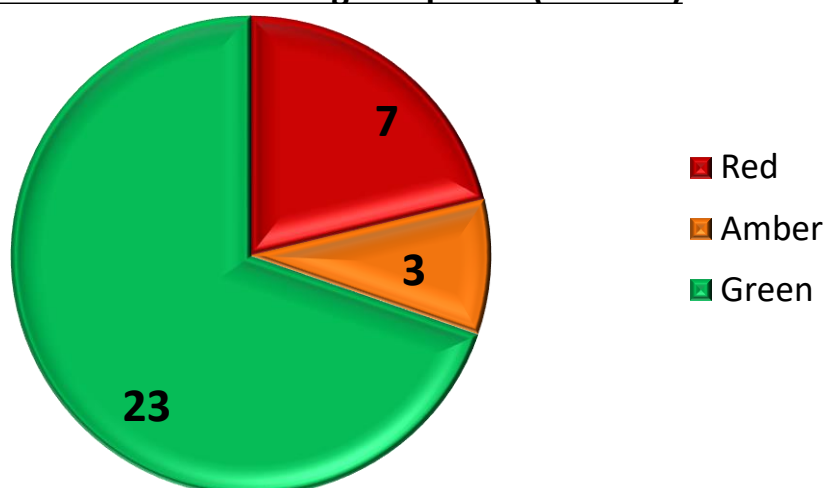
6. The Fire and Rescue service separated from NCC on 1st January 2019. As a result the budget from NCC to LGSS will reduce going forward, and income will be received from Northamptonshire Commissioner Fire and Rescue Authority. The budget transfers to effect this change have not yet been finalised with NCC and will be reflected in future reports.
7. CCC implemented 3 days of mandatory unpaid leave for all CCC staff for this financial year. The savings from this will be returned to CCC, except where there is impact on LGSS customers. As a result, £111k of savings will be returned to CCC in 2018/19.

Savings delivery

8. The Budget Savings Tracker enables service managers to give a monthly update on the delivery of 2018-19 savings and benefits as set out in the LGSS Strategic Plan. A summary of this information is given at paragraph 3 below. This is monitored and reviewed on a monthly basis with LGSS Directors, the Finance Director, and the Managing Director.
9. The tracker shows current savings at risk totalling £467k. A summary of the current RAG rating of budget proposals by Directorate is shown below):

Directorate Summary of Savings Proposals	Summary Proposal By Value and Directorate: LGSS savings				
	No. of proposals	Total Savings	Red	Amber	Green
Human Resources	2	189	0	0	189
Information Technology	9	1,265	225	0	1,040
Finance Services	10	592	90	18	484
Strategic Management	4	302	38	0	264
NCC specific savings	8	562	60	36	466
Total	33	2,910	413	54	2,443

RAG Assessment of Savings Proposals (Number)



Red = savings which are at significant risk of not being delivered in this financial year. Funding should be provided by NCC for the NCC specific ones.

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

Green = savings expected to be fully deliverable in year.

Capital position

10. The table below summarises the capital projects within LGSS. LGSS projects are all fully funded either from external funding sources or by the individual authorities discretionary funding. Appendix 3 gives further detail on a scheme-by-scheme basis.

Authority	Expenditure Profile							Funding Profile		
	Exp Budget	Prev Year's Exp	Actuals 2018-19	Forecast 2018-19	Forecast Future Years	Total Life of Project	Over / (Under) Spend v Approved Exp	External	Discretionary	Total Funding of Project
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
CCC	2,025	1,891	0	134	0	2,025	0	0	2,025	2,025
NCC	21,647	20,949	25	403	0	21,377	-270	753	20,806	21,559
MKC	6,885	5,675	164	193	853	6,885	0	0	6,885	6,885

Appendix 1

2018-19 Monitoring Detail – LGSS Operational Budgets

Finance Services Directorate

	Previous Forecast Variance	Gross Exp Budget	External Income Budget	Internal Income Budget	Full Year Budget	Actual to Dec	Full Year Forecast Variance
	£000	£000	£000	£000	£000	£000	£000
Finance Services Directorate:							
Finance Leadership	4	175	0	0	175	98	-60
Professional Finance	0						
CCC	10	1,884	0	-328	1,555	1,224	10
MKC	-22	1,939	-53	-64	1,822	1,299	-16
Financial Operations	108	3,740	-245	-65	3,430	3,067	163
Debt & Income Service	0	952	-2	-112	838	741	0
Integrated Finance Services	0	1,864	-625	-359	880	633	0
Audit & Risk	150	2,058	-422	-175	1,461	1,059	150
Pensions Operations	0	4,734	-4,734	0	0	-4,427	0
Norwich	0	1,067	0	0	1,067	821	0
NBC	0	681	-5	0	677	333	0
Procurement	18	1,428	-159	-12	1,256	872	18
Insurance	-57	452	-59	-271	122	385	-57
Total	211	20,974	-6,304	-1,387	13,283	6,104	207

The Directorate is currently forecasting an overspend of £57k and an agreed overspend in Internal Audit of £150k directly attributable to NCC.

The LGSS Director of Finance post is currently vacant awaiting the outcomes of the LGSS operating model review leading to a forecast underspend of £60k to year end.

The CCC Professional Finance team anticipate a £10k forecast overspend. Delivery of over 80% of the MKC business case saving is on track although this is predominantly through efficiencies in business partner activity rather than because of direct MKC collaboration. It has not been possible to hold vacancies seen at previous levels at the start of this year; a proactive response has been needed to address the additional workload associated with the faster closedown of final accounts nationally and the one-off impact of the changeover in financial system.

The MKC Professional Finance Team are forecasting a £16k underspend due to vacancies held at the beginning of the year; the majority of these posts have now been filled.

The NCC Professional Finance team has moved back to NCC and budgets will now be reported through NCC Monthly Finance Report.

Finance Operations are reporting a total pressure of £163k, which comprises of £19k due to the interim costs of the Head of Finance Operations role, £44k in Financial Assessments due to the legacy HUB team in MKC for salaries in April and May, £62k due to additional unbudgeted costs incurred through the launch of the new data capture solution and annual licence costs and £38k pressure in Payables. The Payables pressure is due to a shortfall in staffing budget, following the restructure, of £51k. However, underspends on other budget lines reduces this to £38k. It has been proposed that the data capture system pressure of £62k will be funded from the partnership contingency.

Since restructuring the Debt and Income Team has experienced problems in recruiting to new posts. Any underspend arising from vacancies has been offset by the use of agency staff. The team are almost now at full establishment and progress is being made in establishing itself as a separate service, which benefits all partners. The budget is expected to be achieved and further work is being undertaken to confirm this.

There are no changes to the break-even reported position for the Integrated Finance Service. However there are some risks to the forecast which remain and are linked to the recruitment to vacancies and the ability to secure suitable agency staff to provide cover. Recruitment processes are currently in progress and forecasts will be reviewed and updated on the conclusion of the recruitment campaigns.

Savings of £150k were required from Audit and Risk by NCC. The NCC Director of Finance recognised that this reduction would put the authority at risk in the current context and agreed its reversal. It was anticipated that a budget adjustment would be made to reverse this savings request and remove the reported pressure. However, this has not happened for 2018/19 and this is now an agreed overspend with NCC.

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

There is an £18k pressure in Procurement due to a small delay in a planned restructure, which is now underway. Every effort is being made to eliminate this projected pressure by tightly controlling all expenditure.

Within Insurance an underspend of £57k is now being forecast as a result of the overachievement of income targets in respect of services to academies and MKC schools and underspends on other operational budgets.

Human Resources Directorate

	Previous Forecast Variance	Gross Exp Budget	External Income Budget	Internal Income Budget	Full Year Budget	Actual to Dec	Full Year Forecast Variance
	£000	£000	£000	£000	£000	£000	£000
Human Resources Directorate:							
HR Central Management	14	150	0	0	150	135	14
Policy & Strategy	-43	1,076	0	0	1,076	729	-46
Health, Safety & Wellbeing	-100	786	-132	-95	559	285	-105
HR Business Partners							
CCC	-33	1,190	0	-97	1,093	823	-33
NCC	-90	875	0	0	875	570	-93
MKC	-34	771	0	-55	716	628	-6
NCC Schools Income	52	168	-256	10	-78	-97	60
MKC Schools	49	156	-151	0	5	-10	26
Learning & Development	143	3,997	-990	-18	2,989	2,529	156
Transactional Services	-28	2,468	-699	-109	1,659	1,709	-28
Total	-70	11,636	-2,228	-364	9,044	7,302	-56

The HR Directorate is currently forecasting an underspend of £56k which is a reduction of £14k from last month.

The forecast underspend for Policy and Strategy is predominately due to 3 unfilled vacancies in the Workforce Planning and Strategy team, lower than expected car mileage claims and salary sacrifice costs.

Health, Safety and Wellbeing is forecasting an underspend of £105k due to; staff savings from delays in filling vacancies, additional income streams, and the expectation of specific one off grant funding from NCC for work done on behalf of Public Health.

The net underspend on HR Business Partners is due to vacancies. These are being partially offset by £86k shortfalls on the schools income targets. Additional budget of £90k was given to the NCC Business Partner team in 2018-19 to support recruitment of social workers in Children's. This is being delivered at lower cost in the current financial year due to vacancies, and £50k is being used to offset the additional NCC specific savings target for the year as it was specifically invested in year by NCC. In addition, CCC are providing additional funding for transformation work undertaken by the CCC HR Business Partner team to support their transformation programme. Any underspend against this funding will be returned to CCC.

There is a pressure on Learning and Development staffing caused by a reduction in grant funding. The service is currently investigating mitigations and continues to freeze vacant posts. There are £300k NCC specific savings within the L & D service, which will be achieved through a reduced service offering, or be borne directly by NCC.

It is estimated that there will be a shortfall in income of approximately £28k in the payroll service, as more schools convert to academies and use the payroll provider of their multi-academy trust. This is being offset by an increased underspend on staffing and baseline staffing will be re-adjusted.

Information Technology Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Dec £000	Full Year Forecast Variance £000
IT Directorate:							
Cambridgeshire County Council	0	2,316	0	-974	1,342	1,697	0
MKC IT	0	2,495	-1	-50	2,444	1,794	0
MKC IT Schools	0	405	-219	-243	-57	-247	0
Northamptonshire County Council	0	2,692	-39	-618	2,035	1,877	0
Norwich	0	2,556	-250	0	2,306	1,970	0
NHFT	0	3,469	-253	0	3,217	3,715	0
Strategy & Architecture	0	887	-16	-109	761	595	0
Digital Services	0	2,011	0	-1,177	834	1,628	0
Service Delivery	0	1,334	0	-391	943	1,138	0
LGSS Business Systems & Change	0	3,813	0	-245	3,568	2,416	0
ERP Programme	0	0	0	0	0	66	0
Total	0	21,979	-777	-3,807	17,395	16,648	0

The Directorate is not currently forecasting any variances. There is now a full reconciliation of establishment with budget.

The service has undergone a rigorous zero based budgeting exercise to reconcile budgets, activity, income, and establishment. The last part of reviewing all income sources is still ongoing. This will document the range of income sources and standardise the mechanism for collection of income across the Directorate. Work on this review will finally complete in the next month.

Across the Directorate, where actuals are ahead of budget this is due to recharges yet to be processed and spend to be accrued into future years.

LGSS Business Systems and Change are mitigating the cost pressure on the annual systems licences costs as the budgets in NCC and CCC were not uplifted for inflation. Additional savings of £100k have been taken this year from the LGSS Programme team within this service. The risk of not meeting this through the recharging of programme resources to individual projects is being mitigated by not filling vacant posts until

future internal recharges can be secured, which will mean there may be limited resources for any future work requiring the programme team.

The ERP programme spend will be funded from the partnership contingency at year end.

Managing Director & Support

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to Dec £000	Full Year Forecast Variance £000
Managing Director & Support	106	320	-10	0	310	258	105
LGSS Business Planning & Finance	-76	449	0	0	449	264	-75
LGSS Restructures	105	0	0	0	0	98	98
Customer Engagement	37	387	0	0	387	317	35
Language Service	38	758	-738	-65	-45	-45	38
Business Development	-85	244	-69	0	174	27	-76
Democratic Support Services	-48	409	-3	0	406	203	-59
Total	77	2,568	-820	-65	1,683	1,122	65

The overall position for the Managing Director budgets is a forecast overspend of £65k.

The forecast overspend on Managing Director and Support reflects the additional costs of the interim Managing Director compared to the original budget £71k, the costs of the Operating Model review, and a forecast overspend on the LGSS audit fee. The additional costs of the interim Managing Director will be funded by the partnership contingency as set out in Appendix 3.

There is a £174k savings target included within the Managing Director budgets linked to the review of LGSS structures. This saving has been delivered for 2019/20 and beyond by the reorganisation of the LGSS Leadership Team, reduction of one Director post and structural savings within LGSS Business Planning and Finance. Because some of the structural savings have been delivered part way through this year, there is a forecast overspend of £98k against this savings target in year. This is being more than offset by underspends of £75k within LGSS Business Planning and Finance and £33k within Business Development from posts being held vacant.

Customer Engagement is forecasting a £35k pressure including the appointment of a fixed term Service Improvement Manager to work on a review of the Helpdesk and other LGSS core projects. In addition, the team have used a combination of agency staff to backfill vacancies, and incurred acting up payments until March 2019 to support delivery of business priorities. This overspend will be offset from the vacancy budget from the Business Development Team and increased income achieved from Schools, LGSS Law Ltd project work and OPFCC.

The Language Service is still forecasting a pressure against the £58k additional income target with a shortfall still expected of £38k. The Service are working hard to try and achieve this challenging target and continue to closely monitor it. There has been targeted marketing across the region during November and December which has not increased the customer activity. There is a formal review of the marketing plan for the last three months of the year which will be reported month on month. A report has been instigated to review the operating model to assess options for 2019-20.

Within DSS CCC, £59k underspend is due to vacancies and additional income from the Combined Authority and CCC Fire Service. NCC DSS have now returned to NCC and budgets will be reported within NCC Monthly Finance Report.

Appendix 2

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

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

	Previous Forecast Variance	Gross Exp Budget	External Income Budget	Internal Income Budget	Full Year Budget	Actual to Dec	Full Year Forecast Variance
	£000	£000	£000	£000	£000	£000	£000
Cambridgeshire County Council:							
Insurance	0	2,139	0	0	2,139	42	0
Members Allowances	0	1,034	0	0	1,034	782	0
National Management Trainees	7	179	-203	0	-23	151	7
Health & Safety Counselling	0	36	0	0	36	4	0
Information Technology	140	4,655	-7	-1,459	3,189	3,481	140
Total	147	8,044	-210	-1,459	6,375	4,461	147
Milton Keynes Council:							
Human Resources	-34	144	0	0	144	350	-3
Information Technology	0	2,108	0	-451	1,657	1,877	0
Total	-34	2,252	0	-451	1,801	2,227	-3
Northampton Borough Council:							
Finance Managed	0	260	0	0	260	205	-41
Insurance	0	781	0	0	781	585	0
NBC Managed Income	0	0	-1,041	0	-1,041	298	0
Total	0	1,041	-1,041	0	0	1,088	-41
Northamptonshire County Council:							
External Audit	300	244	0	0	244	90	300
Social Care	0	0	0	0	0	185	0
Occupational Health	-70	320	0	0	320	82	-70
Information Technology	0	3,388	0	0	3,388	4,022	0
Total	230	3,952	0	0	3,952	4,380	230

Cambridgeshire County Council

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

There is a forecast overspend in IT of £140k due to changes in the desk phone contract and the increased cost in Microsoft Licences. This is expected to be a one off pressure in 2018-19.

Milton Keynes Council

There is an underspend of £3k relating to Trade Union within HR, due to vacancies.

Northampton Borough Council

There is a forecast underspend for NBC due to a reduction in the costs of bank charges.

Northamptonshire County Council

There is a forecast overspend of £300k resulting from KPMG fees on 2017-18 audit; the amount is currently in dispute and therefore this is based on an estimate.

The managed NCC Occupational Health budget underspend, includes a £45k specific (Triage process) savings target. This budget is demand led and is currently showing an underspend due to changes in the way we are managing it. The forecast is based on previous use and anticipated spend over the first quarter of 2019, where any increase in referrals would reduce the underspend if we cannot resource the volume in house.

NCC DSS have now returned to NCC and budgets will be reported within NCC Monthly Finance Report.

Appendix 3

Summary Position on LGSS Reserves

Reserve	Opening balance 1 April 2018 per Outturn report	Forecast Movements in year		Forecast Closing balance 31 March 2019	Commentary on expected movements
		Transfers to reserves	Transfers from reserves		
	£000	£000	£000	£000	
LGSS General reserve	76	59	0	135	Forecast movement reflects transfer in of the balance of the partnership contingency budget as set out below.
Committed reinvestments	0	202	0	202	Forecast movement reflects transfer in of the allocated partnership contingency budget as set out below.
Total	76	261	0	337	

At LGSS management Board on 6th February, the following proposals for use of £216k of the LGSS partnership contingency were endorsed:

- i) Bacs system replacement - £66,000
 - LGSS operates a Bacs Bureau to provide a service to its three partners, and to one customer. Annual transaction volumes are in excess of 3m, inclusive of Payroll, Accounts Payables, Receivables and Revenues & Benefits services. The current Bureau solution was procured under an exemption, for which the Total Contract Value will be reached in 2019, requiring open market competition for a replacement solution. In addition, the current system is nearing 'end of life' and there are system performance and security and support risks, that LGSS have to accept until replacement. Funding will cover 2 years costs with expected implementation from June/July 2019.
- ii) AP duplicate payments checker solution - £69,550
 - Prevention and management of duplicate payments/suppliers and facilitation of duplicate payment recovery. Funding will cover 3 years costs with expected implementation from March 2019.
- iii) To pay for data capture solution costs to the end of June 2019 - £80,246
 - The contract for the current data capture system was extended by one year by legacy LGSS managers to June 2019, but no budget was set aside to pay for the costs in 2018/19 or future years. A business case for a new, more cost-effective solution is currently being developed and soft market testing is in progress in readiness for a formal re-procurement exercise. This will require further funding in 2019/20 and a further request for use of the contingency will be brought forward in due course,

Joint Committee is recommended to approve the use of the partnership contingency to meet these costs.

Partnership contingency position

The table below includes the proposals above:

Partnership contingency	Agreed Usage	Forecast Movements in year 2018/19	Forecast Movements in future years	Commentary on expected movements
	£000	£000	£000	
Opening budget		648	261	In 2019/20 a further budget of £208k will be available in the partnership contingency.
Additional LGSS MD costs	-127	-73	0	To fund additional LGSS Managing Director costs – forecast usage reduced from £127k due to new arrangements for the LGSS MD post from December.
ERP Gold	-380	-250	0	Stabilisation and improvements to ERP Gold post implementation, optimisation of the ERP Gold configuration for user productivity, improvements in reporting, review and reprioritisation of current and future ERP Gold roadmap developments, whilst delivering immediate improvements for the benefit of all, and Increased face to face user support and learning. It is now expected that the full level of approved funding will not be needed to make these improvements.
Helpdesk	-65	0	-50	Redesign end to end processes to support self-service and demonstrably improve the customer experience. It is now expected that this work can be completed within current budgets in 2018/19 and no transfer from the partnership contingency will be needed this year. Funding of £50k may be required in 2019/20.
BACS system replacement	-66	0	-66	Replacement for existing solution essential to LGSS business continuity and associated risk/issue management. Funding will cover 2 years costs with expected implementation from June/July 2019.
AP duplicate payments checker solution	-70	-2	-68	Prevention and management of duplicate payments/suppliers and facilitation of duplicate payment recovery. Funding will cover 3 years costs with expected implementation from March 2019.
Data capture solution costs to the end of June 2019	-80	-62	-18	Costs for current data capture solution to June 2019.
Forecast Closing balance		261	59	To be transferred to LGSS general reserves

Appendix 4 – 2018-19 Budget Reconciliation

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

	CCC £000	NCC £000	MKC £000	Total £000
Net budget as per Strategic Plan	8,871	10,636	8,784	28,292
<u>Movements</u>				
Health & Safety staff counselling moved to CCC Managed	-36			-36
Corporate legal budgets returned to CCC/NCC	-102	-90		-192
LGSS Law dividend/retained earnings income target returned to CCC/NCC	102	102		204
Removal of OCS income target		1,755		1,755
MKC Pay Inflation 2% (excluding R&B)			161	161
MKC Salary Increments			70	70
ESG Grant budget NCC PF & IFS		150		150
Apprenticeship Levy contributions from shareholders		45		45
NCC Professional Finance Team returned to NCC		-1,302		-1,302
NCC DSS Team returned to NCC		-371		-371
Budget as at 31st December 2018	8,835	10,926	9,016	28,777

Appendix 5 LGSS Capital Budget Monitoring – November 2018

The tables below show a summary of the Capital schemes for NCC, MKC & CCC as at December 2018.

NCC	Expenditure Profile							Funding Profile		
All Figures in £000's Scheme Name	Exp Budget	Prev Year's Exp	Actuals 2018-19	Forecast 2018-19	Forecast Future Years	Total Life of Project	Over/ (Under) Spend v Approved Exp	External	Discretionary	Total Funding of Project
Project Angel & NGW IT**	5,500	5,651	25	0	0	5,676	176	0	5,500	5,500
Microsoft ESA & ECI 2014-17	1,525	1,266	0	0	0	1,266	-259	0	1,525	1,525
Next Generation ERP*	2,024	2,079	0	5	0	2,084	60	100	1,836	1,936
Date Centre Refurbishment	994	1,009	-2	0	0	1,007	13	94	900	994
Civica ICON #	267	267	-1	0	0	266	-1	0	267	267
Next Generation / Model Office	383	181	21	202	0	404	21	0	383	383
(IT) Annual review of Core Applications	870	825	17	0	0	842	-28	0	870	870
(IT) Delivery of Corp & Dir Applications	7,013	6,935	0	78	0	7,013	0	0	7,013	7,013
NCC Wide Area Network (WAN)	900	901	-43	0	0	858	-42	0	900	900
Other Schemes less than £500k	2,171	1,835	8	118	0	1,961	-210	559	1,603	2,162
Total	21,647	20,949	25	424	0	21,398	-249	753	20,806	21,559

* There is a £60k overspend on the Next Generation ERP project, this is solely attributable to NCC as it relates specifically to the capitalisation of professional finance staff and funding is being sought for this overspend.

** Project Angel is complete and the expenditure showing in 2018-19 is to be moved.

MKC	Expenditure Profile							Funding Profile		
All Figures in £000's Scheme Name	Exp Budget	Prev Year's Exp	Actuals 2018-19	Forecast 2018-19	Forecast Future Years	Total Life of Project	Over/ (Under) Spend v Approved Exp	External	Discretionary	Total Funding of Project
Next Generation ERP*	2,718	2,561	2	155	0	2,718	0	0	2,718	2,718
Data Hosting & Storage	3,557	3,106	97	53	301	3,557	0	0	3,557	3,557
Replacement Frameworki	610	8	65	-15	552	610	0	0	610	610
Total	6,885	5,675	164	193	853	6,885	0	0	6,885	6,885

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

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

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

	LGSS Budget 2019-20 U
Date:	28 th February 2019
Author:	Justine Hartley, Head of LGSS Business Planning and Finance
Subject:	LGSS Budget 2019-20
Purpose:	To update LGSS Joint Committee on development of the LGSS Budget for 2019-20

Development of the LGSS Budget

1. The LGSS business planning framework anticipates an annual update of the LGSS Strategic Plan and production of a budget for LGSS for the year ahead. The budget needs to align with the savings asks of the three partner councils, and set a delivery plan to meet these asks. Service Plans for the LGSS Directorates are then updated in line with the Strategic Plan priorities and the annual budget.
2. The update of the Strategic Plan for 2018-19 was delayed whilst the review of the target operating model for LGSS was reviewed, but an annual budget for 2018-19 was produced and Service Plans updated to align with this. The intention was to update the LGSS Strategic Plan in the Autumn of 2018, but this has not happened pending the final outcomes of the LGSS operating model review.
3. As the operating model review has progressed the possible implications for the LGSS budget have become more apparent. As a result, the budget preparation process for 2019-20 has been delayed awaiting the outcomes of the review. However, given the review has not yet concluded, and the start of the next financial year is fast approaching, we are now in a position where we need a budget agreed for LGSS services to operate to in 2019-20. This budget update has been prepared based on the current LGSS operating model, but will need to be revisited once the outcomes of the operating model review are finalised.

Savings asks

4. The savings asks of LGSS built into the medium term financial plans of the three core councils over the next 5 years are set out in Table 1 below. These include:
 - the shared savings set out in the business case for Milton Keynes joining LGSS up to 2020-21;
 - additional savings asks requested by all three councils.

5. In addition, there is a current pressure on the LGSS trading target in 2018-19 which is expected to continue into 2019-20. Savings will be required to offset this pressure and so the trading shortfall has been built into the savings ask in Table 1 below.

Table 1: Financial Asks – 2019-20 to 2023-24

	2019-20	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000	£000
<u>LGSS shared operational savings from MKC joining LGSS</u>					
CCC	619	607	0	0	0
MKC	465	415	0	0	0
NCC	248	351	0	0	0
<u>Additional savings asks</u>					
CCC	300	300	566	284	0
MKC	0	0	353	0	0
NCC (includes £50k ask brought forward from 2018-19)	196	25	0	0	0
<u>Pressures</u>					
LGSS Trading	229	0	0	0	0
Total ask	2,057	1,698	919	284	0

Delivery Plan

6. The Delivery Plan set out in the current Strategic Plan includes the delivery of £225k for 2019-20, and a further £200k in 2020-21 of savings set out in the business case produced when Milton Keynes joined LGSS. The original plans for delivery of these savings are now out of date and the savings have been harder to deliver each year. We are now in a position where there are no detailed delivery plans in place for the remaining MKC business case savings and they have been removed from the new Delivery Plan.
7. In addition, some of the additional income targets have been revisited and only those that are expected to be fulfilled are now included in the Delivery Plan.
8. To offset these savings and income shortfalls in previous plans, a review of budgets has been undertaken to explore the potential for new savings to meet the requirements of the three councils. Without new savings the Delivery Plan for 2019-20 to 2023-24 is as set out in Table 2 with further savings still to be identified to meet the savings asks of all three Councils:

Table 2: Current Delivery Plan – 2019-20 to 2023-24

	2019-20	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000	£000
Council specific savings	292	50	0	0	0
Increased trading income	38	0	0	0	0
Service Line additional income targets	99	50	0	0	0
Contributions to (-)/from business case profiling	440	415	-207	0	0

reserve					
TOTAL	869	515	-207	0	0
Residual gap	1,188	1,183	773	284	0

9. The following paragraphs and tables set out further detail behind the numbers in Table 2 above:

10. Council specific savings – The Council specific savings agreed to date are set out in table 3a below.

Table 3a: Council Specific Savings

Service area	2019/20 £000	2020/21 £000	Description
Finance Operations	67	0	Reduction in posts following ERP implementation
HR and payroll	125	0	Reduction in posts following ERP implementation
Business Systems	100	50	Savings post ERP implementation
	292	50	

11. Increased trading income - The £38k increased trading income in the current Strategic Plan relates to Revenues and Benefits. This is already being received but had a part year impact in 2018-19 and this is the remaining impact in 2019-20.

12. Service Line additional income targets – the service line additional income targets as per the current Strategic Plan which have plans in place to deliver are set out in Table 3b below.

Table 3b: Service Line additional income targets

	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000
Finance					
Pensions (2019-20 and 2020-21 amounts already delivered)	-50	-50	0	0	0
Business Services, Systems & Change					
OPUS LGSS recruitment agency (LGSS 49% share)	-49	0	0	0	0
TOTAL	-99	-50	0	0	0

13. Partnership contingency – the partnership contingency budget has effectively arisen because shared savings from MKC joining the LGSS partnership have been delivered ahead of the savings asks set out by the three partner councils in their medium term financial plans. Contributions totalling £648k are already secured and available to be applied to meet the savings asks whenever needed. The current Strategic Plan anticipates that £440k of the contingency budget will be used to meet

the savings asks of the partner councils in 2019-20 with the remainder applied in future years.

14. Residual gap - the previous Strategic Plan update for 2018-19 included a residual gap of £920k to the benefit of CCC and NCC which was planned to be met through growth in business. With the ongoing review of the future LGSS operating model, this growth has not been possible and the trading gap remains for 2019-20. However, NCC reduced their savings ask for 2019-20 by £460k to reflect the fact that it was not expected that additional trading would be secured to cover this gap.

New proposals to address the savings gap

15. To address the residual gap in savings a review of LGSS budgets has been undertaken to explore the potential for new savings to meet the requirements of the three councils. The review has been difficult in the context of the uncertainty around the future operating model for LGSS and we have sought to avoid costs of change until the outcomes of the review are known. Proposed new savings are set out in Table 4 below:

Table 4: New Savings Proposals

	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000
Strategic Management					
Further rationalisation of the LGSS Leadership team and support	-195	0	0	0	0
Reduced Business Planning & Finance team	-26	0	0	0	0
Delete vacant posts in Customer Engagement and Business Development teams	-85	0	0	0	0
Finance Directorate					
Removal of Head of Service post (less additional payments for transfer of responsibilities)	-70	0	0	0	0
TOTAL	-376	0	0	0	0

16. Some of these savings are in the central LGSS teams which we are aware are being considered for savings as part of the operating model review outcomes.
17. Following discussion at LGSS Management Board it was also agreed that the full available partnership contingency budget of £648k should be applied in 2019-20 to meet the savings asks of the partner councils. This will mean there will be no access to this budget to meet savings asks in future years but it helps to balance the budget in 2019-20 whilst the future operating model for LGSS is finalised.

Resultant position in relation to savings asks

18. Table 5 below sets out the updated Delivery Plan including the new savings proposals and the full use of the partnership contingency.

Table 5: Updated Delivery Plan – 2019-20 to 2023-24

	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000
Shared savings proposals	376	0			
Council specific savings	292	50	0	0	0
Increased trading income	38	0	0	0	0
Service Line additional income targets	99	50	0	0	0
Contributions to (-)/from business case profiling reserve	648	0	0	0	0
TOTAL	1,453	100	0	0	0
Residual gap	604	1,598	919	284	0

19. The updated Delivery Plan in Table 5 above meets the savings ask set by Milton Keynes Council for 2019-20, but leaves a residual gap of savings to be identified to the benefit of CCC and NCC. This is due to:

- the additional savings asks from CCC and NCC in 2019-20 beyond the agreed shared savings;
- the pressure from the shortfall in trading income in 2018-19 and for CCC the remaining expectation that further savings would be delivered from trading which has not been achieved.

20. As a result of NCC reducing their savings ask for 2019-20 by £460k to reflect the risk around the future trading targets, much of the residual gap relates to CCC.

21. Beyond 2019-20, there are minimal delivery plans in place to meet the savings asks of the partner councils and this will need to be addressed once the future operating model for LGSS is confirmed.

Further work being undertaken

22. To close the remaining savings gap of £604k for CCC and NCC, LGSS are working with the S151 officers to consider areas where services can be reduced to deliver the savings expectations.

23. The following tables set out the dedicated spend for CCC and NCC from which Council specific savings could be taken:

Tables 6a and 6b: Council specific costs 2018-19

	Full Year Budget £'000
CCC Specific costs	
Professional Finance CCC	1,555
CCC audit team	318
Financial assessments	513
Client funds	40
Debt recovery	223
Health, Safety & Wellbeing	127
HR Business Partners	977
Democratic Support Services	406
IT Operations – CCC	1,342
Service Delivery	194
	5,696

	Full Year Budget £'000
NCC Specific costs	
NCC audit team	292
MAP team	236
Financial assessments	455
Client funds	195
Debt recovery	223
Health, Safety & Wellbeing	211
HR Business Partners	749
IT Operations - NCC	217
	2,578

24. Many of the costs dedicated to CCC and NCC are in areas which we are aware the Councils are looking at in the context of the LGSS operating model review, alongside reviewing the costs of the central LGSS teams.

25. A further update will be brought to the next Joint Committee once further savings options have been considered with the S151 officers.

Conclusion

26. In summary, there is a need to set an interim budget for LGSS for 2019-20 despite the uncertainties around the future operating model for LGSS. The proposals in this paper are based on the current operating model, and it is anticipated that a revised budget will be needed once the outcomes from the operating model review are finalised.

27. The Delivery Plan to meet the LGSS savings asks of the three councils as set out in the 2018-19 budget and Strategic Plan update has been revisited and further savings options have been considered to meet the savings asks of the Councils. In addition, it is now assumed that the partnership contingency budget will be used

in full in 2019-20 to meet the savings asks of the three partner councils which obviously puts pressure on the years beyond 2019-20.

28. Joint Committee are asked to consider and approve the updated Delivery Plan in Table 5 above. This will meet the savings ask of Milton Keynes Council but will leave a savings gap of £604k split between CCC and NCC. Further proposals will be brought to the next Joint Committee to address this gap.

OPERATIONAL UPDATE – ERP GOLD

To: **LGSS JOINT COMMITTEE**

Meeting Date: **28th February, 2019**

From: **Steve Day, Acting Director of IT Services**

Purpose: **To provide an operational update to the Joint Committee on the ERP Gold system**

Recommendation: **The Joint Committee is asked to note this report**

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1. BACKGROUND

- 1.1 ERP Gold is the integrated LGSS system used by all LGSS partners to underpin their finance, purchasing, accounts payable, accounts receivable, HR and payroll processes. The software, supplied and supported by Unit4, is called Unit4 Business World (commonly known as Agresso, the software's previous name).
- 1.2 Joint Committee received a verbal update at their previous meeting, as well as a more detailed presentation and discussion on the system at the Joint Committee and Joint Scrutiny Working Group on 1st November 2018.

2. BUSINESS CASE

- 2.1 The business case for implementation of ERP Gold identified cashable savings from moving the hosting of the replacement system in-house and the licensing of the new ERP system.
- 2.2 The final part of the full revenue budget reductions totalling £1.1m per annum for Cambridgeshire and Northamptonshire County Councils and £370k per annum for Milton Keynes Council were delivered in the current financial year 2018/19. It is expected that the projected cumulative savings to the three councils over 7 years of £9.86m will be met in full. This does not include any service specific savings enabled by the implementation of ERP Gold.

3. POST GO-LIVE

- 3.1 As might be expected of any significant implementation project of this complexity and scale, a number of challenges have been experienced since go-live in April 2018 – both with the system itself and the operational services which rely upon it.
- 3.2 A specific improvement programme, to which additional resources were dedicated, completed in November 2018 and resolved the priority issues identified by each of the operational areas. Two material deliverables remain outstanding and are currently underway: (i) the resolution of a technical issue preventing the roll-out of a solution to access ERP Gold from outside the partner organisations' IT networks and (ii) increase the reach of self-service functionality; and the redesign of the payroll build for the calculation of back pay which will improve automation and resolve current challenges in this process which are being worked around.
- 3.3 A project to update the software is currently underway and in the final user testing phase. This is progressing well and scheduled to complete on time in March 2019. It's usual for a full upgrade of the software to take place each year, and

accordingly this will be required during 2019. An early upgrade of the software was tested in a development environment of the system, but a small number of specific issues were identified which will need to be resolved before the upgrade is re-tested. It was therefore agreed that the more straightforward update be completed first, in order to ensure continued software support and statutory compliance.

4. SYSTEM PERFORMANCE

- 4.1 Serious performance issues were experienced in the summer of 2018 which caused disruption to users of the system.
- 4.2 A range of investigation work was undertaken and a number of issues and potential causes were identified and resolved or changed, including hardware, software and network connectivity.
- 4.3 An underlying software database issue was identified and a workaround put in place to prevent this from affecting system performance. The problem remains under investigation to seek a permanent resolution, but in the meantime has not recurred to impact on system performance
- 4.4 Other specific improvements identified during this work remain underway, however there have been no recent reports by users of issues with general system performance. In order to support this, a performance baselining exercise is currently being undertaken to measure system performance in specific circumstances, across all three partner IT networks. This will help to identify any continuing performance concerns and opportunities for further improvement work.
- 4.5 There has been one major incident recorded which affected system access for users from the Northamptonshire and Milton Keynes IT networks in February 2019. This was resolved within the same morning. As is usual in such circumstances, a Major Incident Review was completed to ensure that the cause was identified along with any lessons learned to avoid a recurrence.

5. VOLUMES & KEY PERFORMANCE INDICATORS

- 5.1 ERP Gold is a key operational system supporting business processes for the three partner authorities. During the first six months of its operation to the end of October 2018:
 - 9,969 users validated for self-service access
 - 21,000 individuals were paid through monthly payrolls on 25,000 employment records

- 31,000 Purchase Orders were raised (£751m in value)
- 782,000 invoices were paid (£1.23bn in value)
- 288,000) AR invoices were raised (£330m in value)
- Budget monitoring reports were run more than 2,900 times by 430 users across the three partners

5.2 In common with other LGSS services, the LGSS Business Systems team in LGSS who support ERP Gold measure key performance indicators (KPIs) which are reported regularly to the partner organisations. These specifically relate to the incidents raised and change requests made in relation to the systems they support and the time taken to respond to these.

5.3 The KPIs are summarised in the table below, along with the equivalent from the previous financial year – noting that comparison is not complete, being in relation only to the systems supported for CCC and NCC (equivalent statistics not available for MKC) and during a period of system change freeze. The summary demonstrates that despite very significant increases in volumes, performance levels within this team are recovering well from the impact of the go-live period and we are confident that this will continue to improve through the remainder of the year.

	2017/18	2018/19 (Half year)
Volume of ERP incidents resolved	1,206	3,689
Volume of ERP change requests	193	296
KPI performance: incident response	99.2 % (Green)	Q1 – 84.6% (Red) Q2 – 88.9% (Amber)

5.4 The reporting of these KPIs, alongside those of other LGSS services, will be reviewed as part of the work on the LGSS Performance Framework.

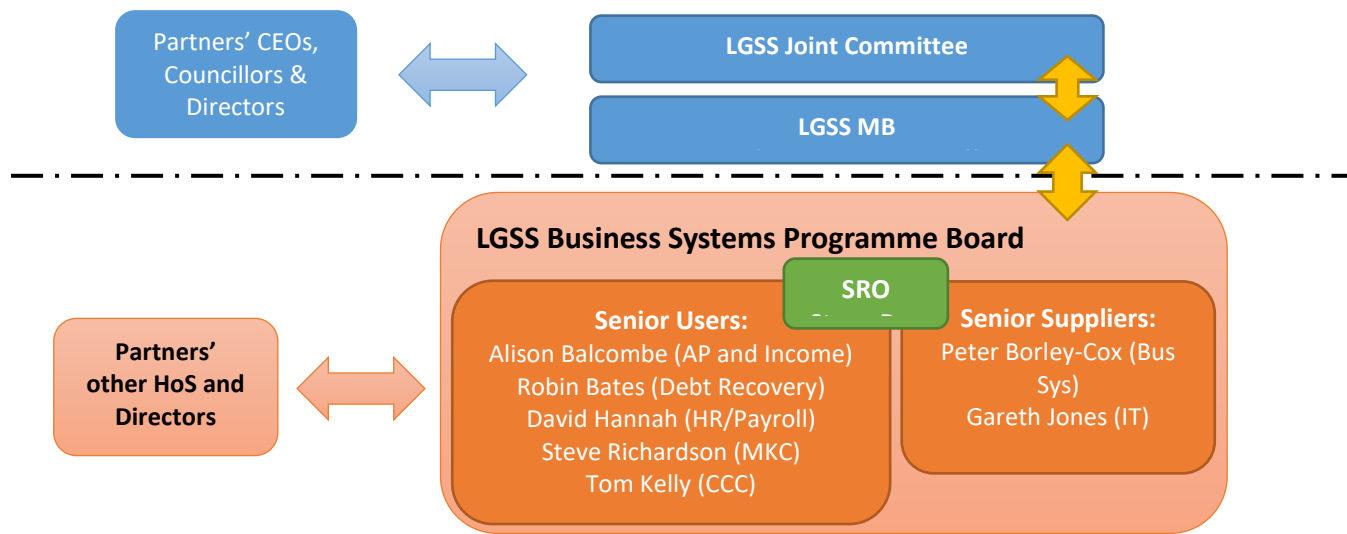
6. GOVERNANCE & FUTURE DEVELOPMENT

6.1 A revised governance structure has been agreed and is in place, which replaces the ERP Gold Programme Board that oversaw the implementation project. The group meets monthly and has a terms of reference which includes the oversight of the future development roadmap for ERP Gold.

A diagram of the board's membership and relationship to the overall governance structure of LGSS is shown below.

A key priority of this board is to validate a baseline of the future development

roadmap and portfolio of improvement projects in relation to ERP Gold.



7. SIGNIFICANT IMPLICATIONS

As an update, this report is for information only and does not have any significant implications under the sub-headings below:

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Not applicable
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Not applicable
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Not applicable
Have any engagement and communication implications been cleared by Communications?	Not applicable

