



LGSS JOINT COMMITTEE

Date: Thursday, 30 August 2018

Democratic and Members' Services

Fiona McMilan

Deputy Monitoring Officer

Shire Hall

Castle Hill

Cambridge

CB3 0AP

13:30hr

Milton Keynes Council Chamber, Saxon Gate, MK9 3 EJ
[Venue Address]

AGENDA

Open to Public and Press

- | | | |
|----------|---|----------------|
| 1 | Notification of Chairman for 2018/19 | |
| 2 | Notification of Vice-Chairman 2018/19 | |
| 3 | Apologies for Absence | |
| 4 | Declarations of Interest | |
| 5 | Minutes - 12th July 2018 | 5 - 12 |
| 6 | Draft Minutes of the LGSS Joint Overview & Scrutiny Working Group - 15th August 2018 | 13 - 18 |

7	LGSS Statement of Accounts and Annual Report Update	19 - 78
8	LGSS Budget Monitoring Report - August 2018	79 - 92
9	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)

10 New Business Development

Oral update

The LGSS Joint Committee comprises the following members:

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

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

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

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The County Council is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens. These arrangements operate in accordance with a protocol agreed by the Chairman of the Council and political Group Leaders which can be accessed via the following link or made available on request: <http://tinyurl.com/ccf-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>.

The Council does not guarantee the provision of car parking on the Shire Hall site and you will need to use nearby public car parks <http://tinyurl.com/ccc-carpark> or public transport

LGSS JOINT COMMITTEE: MINUTES

Date: Thursday, 12th July 2018

Time: 11:05am – 1.15pm

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

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

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

Northamptonshire County Council (NCC):
Councillors Michael Clarke, Andy Mercer and Bob Scott

Others in attendance:

M Ashton (LGSS Director of Business Services, Systems and Change),
M Bowmer (LGSS Director of Finance), M Cox (LGSS HR Director), S Day
(Acting Director of IT Services), S Homer (Interim Managing Director LGSS),
C Malyon (S151 Officer Cambridgeshire County Council),
M McLaughlin (S151 Officer Northamptonshire County Council) and
M Rowe (Democratic Services Manager)
The Press attended the public session of the meeting

Apologies: Councillors Raynes and Brackenbury

43/18 DECLARATIONS OF INTEREST

None.

44/18 MINUTES – 28TH MARCH 2018

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

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

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

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

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

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

45/18

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

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

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

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

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

distinct from LGSS 'Inc'. In response, the Interim Managing Director acknowledged the need to provide pithy information soundbites to Members to support the organisation based on good performance. She also confirmed that LGSS Law Limited had a clear and separate identity and would not be included in the LGSS accounts as had previously been agreed.

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

It was resolved unanimously to:

- (a) note LGSS Summary of Achievements 2017-18 and progress update on Annual Report and Statement of Accounts; and
- (b) invite the LGSS Law Limited Board to consider changing the name of LGSS Law Limited.

46/18

ERP GOLD UPDATE

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

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

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

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

- welcomed the progress outlined in the report. One Member commented that he had been critical of the project but now had more confidence. He acknowledged that there were niggling issues but the system appeared to be on track. He raised concerns about how small suppliers would interact with Tradeshift and a more complex accounting system. Whilst he welcomed the streamlining of the Accounts Payable process, it was important to avoid squeezing out small suppliers. The LGSS Director of Business Services, Systems and Change reported that some small

suppliers did not want to use the Tradeshift product, and as a result, these invoices would continue to be managed manually. The take up of Tradeshift would be reviewed in the future, once the system had bedded down.

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

Action Required.

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

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

It was resolved unanimously to:

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

47/18

OPUS LGSS PEOPLE SOLUTIONS – GOVERNANCE

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

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

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

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

[Councillor Boden left the meeting at this point]

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

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

It was resolved unanimously to:

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

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

48/18

LGSS BUDGET MONITORING REPORT – MAY 2018

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

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

One Member queried the disparity in the capital position for NCC and CCC. Attention was drawn to page 51 of Appendix 3 which provided the breakdown. There were specific high profile IT capital spends in NCC which included a significant amount of spend from previous years. In relation to the £155k risk to audit savings for NCC, a Member queried the mechanism for 'sharing the pain' and the cut-off point. It was noted that the £270k saving had been shared across all three partners. If the £90k saving for NCC was not delivered, it would need to be met by NCC.

It was resolved to note:

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

49/18 EXCLUSION OF PRESS AND PUBLIC

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

50/18 LGSS OPERATING MODEL REVIEW

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

It was resolved unanimously to note the update provided.

51/18 NEW BUSINESS DEVELOPMENT

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

It was resolved to note the update provided.

Chairman

LGSS Joint Overview & Scrutiny Working Group

15th August 2018

Room 15, County Hall, Northampton

Notes of the meeting held in public

Present:

Councillor Mick Scrimshaw (in the chair)	Northamptonshire County Council (NCC)
Councillor Jason Smithers	Northamptonshire County Council
Councillor Chris Stanbra	Northamptonshire County Council
Councillor Mark Howell	Cambridgeshire County Council (CCC)
Councillor David Jenkins	Cambridgeshire County Council
Councillor Robin Bradburn	Milton Keynes Council (MKC)
Councillor David Hopkins	Milton Keynes Council

Also in attendance for all or part of the meeting:

Mark Ashton	Director of Business Services, Systems & Change, LGSS
Matt Bowmer	Director of Finance, LGSS
James Edmunds	Democratic Services Assistant Manager, LGSS Northampton Office
Sarah Homer	Interim Managing Director, LGSS

There was also one member of the press in attendance.

The meeting started at 2.00pm

12/18 Introductions and Apologies for Non-Attendance

Apologies for non-attendance were received from Councillor Joan Whitehead (CCC) and from Councillor Norman Miles (MKC).

13/18 Appointment of Joint Working Group co-chairs from each LGSS partner authority

The Democratic Services Assistant Manager invited nominations for co-chairs from each of the three partner authorities in accordance with the Joint Working Group (JWG)'s Terms of Reference.

Councillor Scrimshaw was proposed and seconded by councillors Stanbra and Smithers respectively. There were no further nominations. Councillor Scrimshaw took the chair of the meeting at this point.

Councillor Whitehead was proposed and seconded by councillors Jenkins and Howell respectively, although members recognised that she was not present to say whether she was prepared to accept the role. There were no further nominations.

Councillor Bradburn was proposed and seconded by councillors Hopkins and Smithers respectively. There were no further nominations.

AGREED that:

- a) **Councillor Scrimshaw be appointed as the co-chair of the Joint Working Group for Northamptonshire County Council for 2018/19.**
- b) **Councillor Whitehead, subject to her agreement, be appointed as the co-chair of the Joint Working Group for Cambridgeshire County Council for 2018/19.**
- c) **Councillor Bradburn be appointed as the co-chair of the Joint Working Group for Milton Keynes Council for 2018/19.**

14/18 Notification of requests from members of the public to address the meeting

None received.

15/18 Declarations of Members' Interests

None declared.

16/18 Chair's Announcements

The Chair thanked members for their confidence. He advised that he did not have significant previous knowledge of LGSS and looked forward to JWG members working well together.

17/18 Notes of the LGSS Joint Overview & Scrutiny Working Group meeting on 19th March 2018

AGREED that: the notes of the LGSS Joint Overview & Scrutiny Working Group meeting held in public on 19th March 2018 be agreed.

At this point the Chair proposed to vary the order of the agenda to bring forward the LGSS 2018/19 Budget Update, given that this would be dealt with in public session.

18/18 LGSS 2018/19 Budget Update

The Director of Finance presented the report, highlighting the following points:

- The format of the report had been improved, including taking account of comments by the JWG at its last meeting.
- There was a commitment to provide monthly budget updates to Joint Committee (JC) and JWG members. Updates would be circulated informally if there was not a scheduled meeting.
- The introduction of ERP Gold resolved the previous need for Finance to consolidate information from different systems to produce finance reports.
- The current forecast variance was for an overspend of £116,000, which LGSS was working to address. There was an overall pressure of £216,000, although £150,000 of this was attributable to NCC wanting to reinstate a reduction in Internal Audit hours that had been due to deliver a saving. NCC would transfer £150,000 to LGSS to reflect this. The overall pressure was offset by a £100,000 overachievement on trading income.

- LGSS operated a robust savings tracker that treated individual savings as projects that were tracked for delivery from the point that they were agreed.
- LGSS did not hold significant reserves. £648,000 was held in the partnership contingency during 2018/19 in accordance with the LGSS Strategic Plan to support any challenges in the delivery of the savings programme in the MKC business case.
- LGSS Finance worked with partner authority Chief Finance Officers (CFOs) to ensure that respective financial reports were consistent. LGSS had also committed to report a running total of budget movements through the year.
- LGSS capital budgets were managed on behalf of the partner authorities. The £21.6m figure for NCC stated in the report reflected the full budget: only around £600,000 of this related to 2018/19.
- All current red-rated savings proposals related to the Finance directorate. They consisted of the £150,000 attributable to NCC and £45,000 relating to the MKC business partner team, although action underway meant that this would be rated green in the next report.

The JWG considered the report. The Director of Finance provided additional information in response to points raised by members as follows:

- LGSS had saved money for the partners. During its first five years it had delivered £16m savings, which had benefited NCC and CCC equally. 2017/18 had been the first year in which LGSS had not returned an overall surplus: an overspend of £178,000 had been shared between CCC and NCC although all planned savings had been delivered.
- NCC spent around £10m on back office functions. The savings delivered for it by LGSS were significant in relation to the size of that budget.
- LGSS's ability to achieve future savings would be affected by the context in which it operated. This included continuing austerity; the increased trading targets set by the two original partners; the 'quick wins' already achieved; and the importance of securing the right partners. There was likely to be more discussion with the existing partners in the future about levels of service that could be provided.
- LGSS had delivered its long term trading objectives but its development had not proceeded exactly as anticipated in the original Strategic Plan, which had proposed to bring in an extra county council sized authority as a new partner in each year from year three onwards.
- LGSS Law Ltd no longer featured in the Budget Monitoring report, to reflect that it was a separate organisation subject to different governance.
- The £648,000 to be used to support the MKC business case was essentially a smoothing provision to manage the timing when savings would be delivered. This was a complex matter to explain verbally and could be dealt with better through an off-agenda briefing.
- There were no issues about the security of the pension schemes administered by LGSS. If a liability was to occur the government would

ultimately be responsible for meeting it but this situation should not be reached in practice.

The Director of Business Services, Systems & Change provided additional information in response to points raised by members as follows:

- The increase in the volume of claims undertaken by the Insurance Team referred to in the report was attributable to claims relating to highways issues, which had more than doubled. Extra capacity had been deployed with the aim of addressing demand by the autumn. This was an area where LGSS could be affected by NCC's decision to reduce road maintenance. However, the current pressures did not result from just one area.
- The Business Development team was made up of only two posts, one of which was currently vacant. Its gross expenditure budget was £244,000 as this included some services for schools and the former MKC language service.

The Interim Managing Director (MD) also made the following points:

- She considered that there were further opportunities for LGSS to deliver efficiencies from improving end-to-end processes but this relied on partners being willing to increase standardisation between them.
- Partners' long term commitment to LGSS and local government reorganisation in Northamptonshire were further examples of factors that increased the complexity of LGSS's operating environment and could create challenges.
- The fact that LGSS officers were accountable to the MD rather than to a partner authority chief executives reflected the shared service model and the delegations to LGSS agreed by the partners. Engagement with and accountability to the partners was achieved in various ways, including matrix management of the MD by the partners' chief executives; partners' CFOs sitting on the LGSS Management Board; LGSS business partners' work with service managers; and the role of the JC and JWG. If partners sought to move away from an integrated approach it would reduce LGSS's ability to deliver efficiencies.

Members made the following points during the course of discussion:

- Councillors needed to be confident that assumptions about LGSS's future growth were based on sound business plans.
- LGSS Law Ltd should be subject to a greater degree of scrutiny than the oversight provided by a shareholder board.
- The way in which LGSS operated reflected the decisions taken by the partners to enter a shared service arrangement: delegating functions to a third party involved giving up some direct control.
- LGSS had delivered results. However, it could be useful for the JWG to see an outline of its current organisational structure to consider how it had developed and whether it was as effective as possible.

- The Budget Monitoring report had been improved but it should go beyond financial information and also include key performance indicators.

AGREED that:

- a) The Joint Working Group requests to be provided with an off-agenda written briefing explaining the use of £648,000 from the LGSS partnership contingency to support the delivery of the LGSS savings programme for Milton Keynes Council.**
- b) The LGSS 2018/19 Budget Update be noted.**

19/18 LGSS Operating Model Review

In respect of this item it was:

AGREED that:

- a) Under Section 100A of the Local Government Act 1972, the public be excluded from the meeting for this item of business on the grounds that if the public were present it would be likely that exempt information under Paragraph 3 of Part 1 of Schedule 12A to the Act would be disclosed to them.**

Following discussion it was:

AGREED that:

- b) The JWG recommends to the LGSS Joint Committee that the future development of LGSS should not depart too far from its current form and it should not over-focus on new business development.**
- c) The Joint Working Group supports the further development by LGSS of strategic-level key performance indicators.**
- d) The Joint Working Group agrees the importance of ensuring that its work does not duplicate that of the LGSS Joint Committee.**
- e) The Joint Working Group identifies pre-decision scrutiny and performance management as key focus areas for its future work.**
- f) The Joint Working Group recommends that it should be able to hold four meetings per year in future.**

20/18 LGSS Joint Overview & Scrutiny Working Group Work Programme 2018/19

The Democratic Services Assistant Manager presented the report, inviting the JWG to consider the topics it would scrutinise in 2018/19 and the working methods it would use to do so.

The JWG considered the report. Members reiterated the importance of focussing on pre-decision scrutiny and noted that this would mean that its work programme would need to be informed by issues due to be considered by the JC.

The MD highlighted the opportunity for pre-decision scrutiny of a new LGSS Performance Framework and the JWG discussed the potential timing of this. The MD also advised that work would be done to develop the JC's work programme.

The Democratic Services Assistant Manager advised during discussion that the JWG should focus on identifying the topics it wished to scrutinise and then consider how this could best be done. The JWG had considerable scope to decide how it operated: for example, JWG meetings were evenly spaced through the year as a default but the JWG was not obliged to follow this arrangement.

AGREED that:

- a) The Joint Working Group meets at the end of September 2018 to carry out pre-decision scrutiny of proposals for a new LGSS Performance Framework.**
- b) The Joint Working Group meets in November / December 2018 to receive a report on progress with the implementation and operation of ERP Gold.**
- c) The Chair of the LGSS Joint Committee be invited to attend the Joint Working Group meeting in November / December 2018 to discuss the development of LGSS and its prospective budget for 2019/20.**
- d) The Joint Working Group requests that once a more extensive work programme for the LGSS Joint Committee has been developed this is shared with the Joint Working Group in order to inform its future scrutiny work.**

There being no further business the meeting concluded at 4.30pm.

James Edmunds
Democratic Services Assistant Manager & Statutory Scrutiny Officer
Northamptonshire County Council
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LGSS Statement of Accounts Update

To: LGSS Joint Committee

Date: 30 August 2018

From: LGSS Finance

Purpose: To present to the Joint Committee the 2017-18 LGSS Annual Report including the Statement of Accounts for comment

Recommendation: That the Joint Committee note and comment on the report

	<i>Officer contact</i>
Name:	Matt Bowmer
Post:	LGSS Finance Director
Email	mbowmer@northamptonshire.gov.uk
Tel:	01604 366550 07850 919054

1. Background

- 1.1 LGSS produces an Annual Report which includes its own annual Statement of Accounts. These accounts are prepared alongside the statutory accounts of each partner authority, although the timings differ because LGSS is not a statutory audit and the May and July deadlines that the statutory accounts of the Partners have to adhere to do not apply.
- 1.2 The LGSS accounts encompass LGSS income and expenditure from each of the host authorities under the Joint Committee arrangement i.e. LGSS does not have its own financial ledger or bank account. Whilst the single entity accounts of the three local authorities include the LGSS spend attributable to each authority, the LGSS Statement of Accounts show the combined position across all of the LGSS operational budgets (in other words excluding the managed budgets that LGSS manages on behalf of the host authorities). The LGSS accounts therefore provide a single consolidated financial reporting position for LGSS.
- 1.3 In practice, transaction level detail for each shareholding authority is used to produce the core financial statements included within the LGSS accounts. There is a clear trail from the partner authorities' general ledger to the final LGSS accounts that are produced.

1.4 From 1 April 2015, the implementation of the Local Audit and Accountability Act 2014 has meant that joint committees (such as LGSS) are no longer required to have their accounts separately prepared and audited. Consequently, from the 2015-16 financial year onwards, production of formal accounts by LGSS is no longer statutorily required. However LGSS has decided to continue to produce accounts as it is committed to accountability and transparency. As these are not statutory accounts they sit outside of the requirements of the Accounts and Audit Regulations 2015, and therefore there is no statutory deadline for publication.

1.5 KPMG have been appointed to audit the accounts of LGSS and this is due to commence on 10 September 2018.

1.6 It is expected that the final audited accounts will be presented to the Joint Committee for approval at the 1 November Joint Committee meeting.

2. Key Changes from Last Year

2.1 There are no significant regulatory changes to the 2017-18 LGSS accounts compared to 2016-17.

3. Overview of the Annual Report and Statement of Accounts

3.1 The LGSS Annual Report is comprised of:

- An introductory section presenting the background to LGSS and an overview of initiatives and performance for the year;
- The Narrative Statement providing an overview of the Statement of Accounts section of the Annual Report;
- The core financial statements being: the Comprehensive Income and Expenditure Statement; the Balance Sheet; the Movement in Reserves Statement; and the Cashflow Statement. Members of the Joint Committee should note that the accounts and core statements are prepared in accordance with accounting standards (the CIPFA Code of Practice on Local Authority Accounting 2017-18), and so differ in presentation from the management accounts presented to the Joint Committee during the year;
- The notes to the accounts providing additional supporting information to numbers in core statements; and
- The Annual Governance Statement to ensure that LGSS activities are conducted within the scope of the law, safeguard public money and ensure that income and expenditure are accounted for properly and resources are used economically, efficiently and effectively.

3.2 Key numbers to note from the core statements are that:

- LGSS incurred a deficit for the 2017-18 year of £668K consisting of an operational deficit of £228K for the year funded by the Partner Authorities, and the net draw down from reserves for planned service investments. This is shown in the Comprehensive Income and Expenditure Statement of the Accounts (page 19 of the Annual Report document);

- LGSS continues to hold reserves of £727K for planned service reinvestment as per the Balance Sheet and the Movement in Reserves Statement of the Accounts (pages 20 and 21 of the Annual Report document respectively); and
- Cash and cash equivalents as at 31 March 2018 decreased by £3,062K as per the Cash Flow Statement of the Accounts (page 22 of the Annual Report document). Committee members should note that the cash figure in the LGSS accounts is a notional figure derived from the other core statements because LGSS does not have its own bank account.

4. LGSS Value for Money

- 4.1 A Value for Money assessment for LGSS as part of the Annual Report and Statement of Accounts for 2017-18 had been considered but this approach has been superseded and alternative arrangements will be put in place to undertake a best value assessment.

5. ISA260 recommendations and progress

- 5.1 As part of KPMG's role in issuing an opinion on the 2016-17 LGSS accounts the auditors produced a report "to those charged with governance" on the Statement of Accounts. This report is referred to as the ISA260 report and the comments, recommendation and progress for each item are summarised in Appendix 1. There are two recommendations that are ongoing and work is still in progress as follows:

- Development of a single ledger / host authority financial model for LGSS (refer to Appendix 1 Items 2 and 4); and
- A formal policy around recharges for LGSS (refer to Appendix 1 Item 3).

6. Audit Timetable

- 6.1 The LGSS accounts are being produced to the timetable below (subject to confirmation from KPMG). The timetable has been reviewed, with timescales brought forward if possible.

Draft accounts published to Joint Committee	22 Aug 18
Audit of the accounts to start	10 Sep 18
Joint Committee approval of accounts and consideration of the Auditor's Report	01 Nov 18

7. Recommendation

- 7.1 The Joint Committee are asked to note and comment on the report and the Annual Report and Statement of Accounts at Appendix 2.

Appendix 1 Update on 2016-17 ISA 260 Audit Recommendations

Item	1) 2017-18 Oracle financial reporting
Recommendation	<p>The 2017-18 financial reporting will continue to use the Oracle financial system. Therefore management need to complete a root and branch review of its process for creating the LGSS accounts. This should involve engagement of stakeholders and finance business partners who form part of the financial reporting process to identify methods of simplifying the accounts production and audit process.</p> <p>In addition management should assess the Closedown team resource and resilience in creating the Statement of Accounts, including review of the process. This should supplement the audit readiness and timing recommendation detailed in recommendation 4.</p> <p>Although the new financial system is due to be implemented there is a risk that failing to implement this improvements to the process will result in continued high levels of Closedown Team time to create the LGSS Statements of Accounts and a higher external audit fee due to the complexity of the accounts production process.</p> <p>In order to aid this process management should implement recommendation 2 and recommendation 3 presented below.</p>
Update	<p>With three LGSS Partners the complexity of the financial reporting has increased alongside the volume of data required to produce the accounts. At the end of each audit officers undertake a debrief with the auditors to identify lessons learnt and where improvements can be made. This is a continuous process and officer's have identified and implemented improvements in the way that information is identified by each Partner by providing greater clarity of the requirements enabling information to be provided to the Closedown team more quickly to produce the accounts.</p> <p>In terms of the audit process officers have liaised with the auditors to change the approach by introducing an Interim audit for LGSS for the 2017-18 accounts process. This has meant that a good proportion of the sampling and testing and any work not dependent on the final year end figures has been progressed already. The intention being that this will make the audit process for the final accounts much smoother. The approach has also used the Finance Business Partner team for LGSS more extensively to ensure queries and information is provided to the auditors more promptly. This approach will be replicated for the final audit.</p> <p>In terms of resourcing, given the challenging financial circumstances additional capacity has not been added to the team. However as the Integrated Closedown team matures, staff are being used more flexibly to deliver all sets of accounts that are supported. The timing for the production of the draft accounts and when to undertake the audit has also been discussed and agreed with KPMG having due regard to the team's capacity and the statutory accounts of the Partner authorities.</p>

Item	2) 2018-19 Agresso financial reporting
Recommendation	As part the Agresso implementation LGSS should fundamentally review the current financial reporting set up. This should include discontinuing the use of three ledgers with LGSS cost centres and replacing it with a standalone LGSS ledger in order to create autonomy of LGSS and the transactions from the Host Authority. This will allow a distinction between LGSS transactions and those of the Host Authorities.
Update	<p>Improvements from the introduction of ERP Gold will be seen from 2018-19 even though a standalone ledger is not yet in place. ERP Gold has been developed with a single hierarchy, which can be used to report on LGSS as a total from the three separate client ledgers. This is possible through much better reporting functionality in ERP Gold to extract the required information across the three Partners in a consistent way.</p> <p>In addition work is in progress to explore the potential for LGSS to operate from its own financial ledger using a host authority model. Project Initiation Documents have been prepared in respect of this for discussion with the Chief Finance Officers of the Partner Councils.</p>
Item	3) 2017-18 Oracle financial reporting
Recommendation	<p>Management should implement a recharges approval process for LGSS. Where transactions are recharged to LGSS they should be supported by appropriate evidence and approval from both budget managers prior to posting.</p> <p>Recharges posted in order to reallocate costs should be reviewed by management and removed from the LGSS costs centres. This will result in a smaller number of transactions within the LGSS cost centres which will speed up the accounts production and audit process.</p>
Update	The recharges approval process remains work in progress. However an analysis of the recharges has been factored into the year end processes to eliminate recharges for the compilation of the Accounts which will also make the audit processes and sampling more efficient.
Item	4) 2018-19 Agresso financial reporting
Recommendation	As part of the implementation of Agresso and set up of LGSS within its own ledger, see recommendation 1, management should implement a new process where all income is invoiced by LGSS and all costs are invoiced to LGSS regardless of whether a host Authority is involved in the transaction, this will remove the need to undertake recharging and provide a robust audit trail of evidence. This will ensure that only transactions relating to LGSS are recognised and they are supported by appropriate accounts receivable and accounts payable processes.
Update	Refer to item 2 above, however Officers will need to discuss the suggested approach of invoicing all income regardless of their being a host Authority in place with the external auditors. There is concern around the impact of gross income and gross expenditure in the accounts of the Partner Authorities with this recommendation.

Item	5) Cost Centre Review
Recommendation	Management should remove the “Goods receipt/invoices receipt tidy up” cost centres from the LGSS accounts to reduce the risk of error of misstatement. All cost centres should be reviewed for appropriateness.
Update	This has been completed as part of the accounts production process. A review of the cost centres was undertaken as recommended to ensure that only those relevant to LGSS are included in the reports required to prepare the accounts.
Item	6) Accounts Production and Audit Process
Recommendation	<p>LGSS produce non-statutory Statement of Accounts and therefore do not have an accounts production and audit deadline as required for Local Authority audits.</p> <p>Management should review the timings of the accounts production and audit process for LGSS and set out an appropriate timeline for the process. This should incorporate the following key factors:</p> <ul style="list-style-type: none"> — Conclusion and sign off of the Host Authority audits; — Closedown team holiday and availability; — Closedown team support in Milton Keynes to support with queries on items within the Milton Keynes ledger; and — Appropriate time to produce supporting working papers that reconciled to the LGSS Statement of Accounts.
Update	As per the update to item 1 the Integrated Closedown Team has worked on closing the Partner authority accounts by the earlier deadlines. The timing of the LGSS accounts has been kept under review as a non-statutory audit and discussed with KPMG, where necessary flexing the timings so that all parties are in agreement of the ultimate timescales for the accounts. The deadlines being worked to are set out in Section 6 of the main report above.
Item	7) Approach to Restructuring
Recommendation	Where future restructuring takes place management should ensure that any programme is costed and proposed to the Joint Committee for approval. This will ensure that significant expenditure is appropriately challenged by those charged with governance in order to ensure it is appropriate and delivers value for money.
Update	<p>As per the LGSS Scheme of Delegation, the “LGSS Directors have responsibility for the operational management of the Shared Services, including authority to determine the number, grade, title and nature of staff deployed and all other terms and conditions, in addition to ensuring their proper management within the remit of those services for which they are allocated responsibility by the LGSS Managing Director”.</p> <p>Any changes to the operational model for LGSS are reported and approved through the Joint Committee following which restructuring of various services has taken place in line with the LGSS Scheme of</p>

	Delegation. This will continue to be the approach undertaken with any future revisions to the LGSS operating model.
Item	8) LGSS Law Dividends
Recommendation	<p>LGSS intend to recognise income from LGSS Law dividends going forwards. In order to do this the following will need to be in place:</p> <ul style="list-style-type: none"> – Declaration by LGSS Law Directors prior to or within appropriate period of the year end to recognise the dividend within the financial year; and – Mechanism where the dividend can be paid over to LGSS by Northamptonshire and Cambridgeshire County Councils as the shareholders of LGSS Law, as LGSS is not entitled to recognise the dividend as income.
Update	This recommendation is now considered obsolete due to the fact that any dividend from LGSS Law Ltd is paid to the shareholding authorities (Cambridgeshire CC, Northamptonshire CC and Central Bedfordshire Council). Therefore LGSS itself does not have any entitlement to dividend from LGSS Law Ltd and any discussions with the host authorities would be in the context of additional income to be made available to LGSS rather than being linked to any dividend payment.
Item	9) Integration of additional authorities
Recommendation	If additional authorities are integrated into LGSS management should ensure a clear process for performing a cut off between LGSS Balance Sheet items and Host Authority Balance Sheet items. This will ensure that Authority transactions are not included within the LGSS Statement of Accounts.
Update	A specification of requirements from each Partner that is needed to prepare the accounts has been produced which will be used as part of any future integration of Partners that join LGSS. In addition discussions will be held early with any authorities joining to ensure these requirements and their timings are understood.
Item	10) Journal Arrangements
Recommendation	There has been no change to the authorisation arrangements. However, we anticipate this will be implemented upon migration to Agresso later in 2017/18.
Update	The new ERP Gold system has introduced some enhanced journal authorisation processes. Finance professionals are able to post directly to the ledger as required given they are trained professionals. However non-finance staff journals have to be approved by the budget manager and where there are journals required across budget areas then the Finance Business Partner teams must approve these through workflow processes in the system. As the ERP system was recently implemented these arrangements will be kept under review and adjusted where necessary.



LGSS Annual Report

2017-18

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Managing director's introduction

Foreword

I am delighted to introduce the LGSS 2017/18 Annual Report and Statement of Accounts which reflect another challenging but successful year. Our teams have worked incredibly hard and enabled LGSS to meet all of its customers savings and efficiencies targets, whilst at the same time meeting or exceeding the overwhelming majority of Service Level commitments for each of our customers.

We remain extremely committed to working with our partner Councils and customers, delivering their strategic objectives in what continues to be a very challenging Local Government and wider public sector environment.

We have continued to develop and strengthen our capacity, skills and capabilities to effectively enable and support our customer's transformation programmes. Our new ERP Gold platform launched in April 2018 and will be the underpinning architecture for HR and Finance, replacing legacy Oracle and SAP systems and delivering substantial savings to our partner Councils.

LGSS Revenues services has been recognised nationally and we were delighted that Horsham District Council became the latest new customer for this service. LGSS Procurement services were finalists in 5 national awards categories and continue to develop best practise approaches in procurement and LGSS HR services received an independent Customer Service Excellence award and receives continuous excellent feedback from our partners.

Looking forward and following substantial growth in the past 3 years, LGSS is engaging with partners on our future Vision, Mission and Strategy. LGSS needs to consolidate, continue to improve and deliver efficient and cost effective services for our partners. Whilst ERP Gold has launched, this is only the start of our journey to ensure it is embedded and becomes a great commercial opportunity for the organisation and partners.

I can confirm that 2018/19 will be challenging but we continue to be recognised as a national leader in public shared services and we remain committed to delivering excellence.



Sarah Homer
Interim Managing Director

About LGSS

LGSS is one of the largest public sector shared services in the UK, owned by Cambridgeshire County Council (CCC), Milton Keynes Council (MKC) and Northamptonshire County Council (NCC) – our partners – and provides a broad range of professional and transactional business support services. Our customers operate within the public sector and include local councils, schools and academies, the health sector and emergency services.

Founded in October 2010, LGSS is the result of corporate business support services at CCC and NCC merging, enabling the creation of a single, shared service to provide business support services to both organisations. In 2016, MKC joined as the third partner council.



Figure 1: The breadth and scope of LGSS services

The growth that MKC brought to LGSS in terms of its size, geographical coverage and increased scope of services, including the addition of major new service responsibilities such as Revenues & Benefits, necessitated a new target operating model, building on and extending the principles of our successful business partner model.

Under the new operating model, the chief finance officers of the three partner councils are members of the LGSS management board and act as LGSS services commissioners, with joint accountability for LGSS services and associated budgets for their authority.

Our vision during 2017/18 was to become ‘the most highly regarded public sector shared service and business transformation partner of choice for the public sector’. To support the achievement of this vision, we have two key strategic themes which underpin our business plan:

- to become the ‘partner of choice’ for public sector shared services
- to grow our business with like-minded customers within the East of England region

Our vision, mission and strategy set out within the LGSS Strategic Plan 2017/18–2021/22 are currently under review.

“LGSS Democratic Services in Cambridgeshire are the jewel in the crown – very proactive – excellent!”

Liz Robin, Director of Public Health, Peterborough and Cambridgeshire County Councils

Our business ethos

We pride ourselves on our business ethos ‘think like a customer, act like a tax payer’. We operate a not-for-profit, joint risk and reward business model which enables savings to be shared between LGSS and its customers. This ensures that all efficiency savings remain within the public sector and enables LGSS to operate as a genuine trusted partner as opposed to private sector based alternatives.

Our core region

LGSS growth is focused on the ‘LGSS region’ and within the wider public sector which means we stay close to our partners and customers and keep teams local, enabling better joined-up working relationships to be developed with each customer, regardless of their location and the sector they operate within.



Figure 2: LGSS regional focus

"I receive consistently high levels of service and advice from LGSS HR advisers who understand what I need to make informed decisions about my workforce."

Sue Grace, Director – Corporate & Customer Services, Cambridgeshire County Council

2017/18 at a glance

Payroll and HR transactions services were independently recognised with a Customer Service Excellence award for the second year running.

IT services developed a technical solution for single sign-on to the ERP Gold system from all LGSS partner IT networks and deployed numerous hardware and software upgrades including 3,000 machine upgrades for Cambridgeshire County Council alone.

We operated gross budgets of £76m in addition to managing budgets of £15.7m on behalf of our customers.

Learning & Development became an official apprenticeship academy delivering apprenticeships and qualifications internally and externally.

The Revenues and Benefits Joint Committee successfully formed. Horsham District Council joined the partnership, delivering fundamental improvements to our shared service across Milton Keynes and Northampton, recognised through the IRRV gold award for Revenues Team of the Year.

HR services improved 'employment essentials' by simplifying policy, developing and empowering line managers to deal with workplace concerns (previously grievances) and under-performance.

Procurement named finalists in five categories for the 2017 Procurement Government Opportunity Awards including Team of the Year and Best Collaborative Procurement.

IT services rapidly and effectively responded to a global cyber attack in May 2017 which particularly affected NHS systems, earning commendation from the Northamptonshire Health NHS Foundation Trust chief executive.

ERP Gold, our enterprise resource planning system launched in April 2018, facilitating cumulative savings of almost £10m over seven years for our partners.

HR services facilitated approximately £800k in savings for Northamptonshire County Council by implementing innovative recruitment solutions to reduce agency social worker costs.

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

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



Customer satisfaction and performance framework

Central to our customer relationship management is our customer satisfaction and performance framework which provides a holistic approach to feedback ranging from strategic executive interviews to operational in-the-moment surveys.

It overlays key performance indicator data to ensure we maintain a rounded view of how our services are performing. The key components of the framework are:

Annual user satisfaction survey

An online satisfaction survey for all users is undertaken in September each year to provide customers the ability to rate the operational day-to-day' performance of LGSS services during the previous 12 month period.

Executive interview

A face-to-face interview is held annually with the chief executive and other senior leaders of each customer organisation to explore themes such as the strategic relationship, value for money, customer priorities, and governance arrangements.

Service feedback forms

Customers are invited to rate their experience of each transactional or professional service they use to measure satisfaction 'in the moment'.

Comments, compliments and complaints

Comments, compliments and complaints enable our customers to provide us with feedback at any time. If we receive a complaint, we commit to provide a response within 10 working days.

Customer issue log

Customers can report contractual and performance issues at any time. Our Customer Engagement team facilitate resolution, ensuring all issues are registered and monitored and that customers are kept informed within an agreed timescale.

Service improvement plans

Annual service improvement plans are developed for each customer in response to the annual review of the consolidated framework. Progress against delivery of service improvement plans is tracked throughout the year and reported to customers in accordance with the relevant customer contractual agreements.

Performance management

Service performance is measured using a suite of key performance indicators, agreed in collaboration with each customer. Service delivery performance is reported to each customer in accordance with the relevant customer contractual agreements. A set of overarching corporate performance indicators is being developed as part of the review of the target operating model and strategic plan.



Figure 3: key components of the customer satisfaction and performance framework

Our customers

We provide services to a wide range of customers across local government, health and social care, education, housing and emergency service sectors, including:



"The LGSS Finance team in Norwich brings rigour around business cases and project management. I couldn't ask for more from the individuals I deal with."

Laura McGillivray, Chief Executive, Norwich City Council

Service developments

Business transformation and innovation are crucial elements of our strategic plan. We will identify and assess commonality between customers and partners to integrate, streamline, standardise and share best practice to support frontline services to deliver better, more cost effective outcomes.

We have a wide range of programmes in place to improve service delivery and meet the changing needs of our partners and customers. Some of the key developments are detailed below:

Workforce transformation - Smarter Business Programmes

The delivery of 'smarter business' principles across partners is crucial if they are to fully embrace flexible working. The vision is to create:

- a more flexible approach to how, when and where work is done
- a more flexible, mobile and productive workforce who are IT confident and capable
- office environments and IT infrastructure and resources suitable for more flexible and mobile working
- a digital first approach which makes information more accessible offline and reduces the need for paper documents, duplicate entry and unnecessary bureaucracy

Digital services

Our Digital team continues to grow and spread the benefits of a user-centred design approach to innovate in public sector service delivery. The team delivered 30 projects during 17/18, highlights include:

- end-to-end redesign of the concessionary bus pass process for CCC
- Octigo – a wellbeing assessment and case management solution for Northamptonshire-based First for Wellbeing which has been commercially re-sold to Derbyshire County Council
- notification of care concerns solution for CCC
- a new mileage and expenses claim system for LGSS
- establishing a footprint for the use of chatbots and artificial intelligence in services and successfully supported a bid for government funding for MKC

The team also worked on some exciting initiatives for NCC during 2017/18 which are scheduled to go live in early 2018/19.

These are a registrations front and back office solution and a mini customer relationship management (CRM) system built in low code technology, enabling NCC to retire its expensive legacy CRM.

All digital solutions are built with reusability in mind, so each application that gets built is 'paid forward' for other customers to re-use. The team has honed its working practices in project delivery and support and has articulated a shared technology platform, entering into single contracts that enable the building and commercialisation of digital services on a 'more you use, less you pay' basis.

ERP solution

One of the key system developments is the design, build and implementation of our next generation ERP solution, ERP Gold.

A shared service ERP system developed in partnership with Unit4 Business World, ERP Gold is designed around the principles of simplification, standardisation, automation and self-service.

It will become a key service offer, bringing potential customers both quantitative and qualitative benefits including:

- enabling convergence to shared and common processes and procedures and greater use of self-service
- single instance of the system on shared infrastructure in the LGSS data centres/private cloud with each organisation having their own separate 'client', a copy of the system, to ensure full data separation and security
- shared service licence model with significant economies of scale and flexibility, with integration and interfaces to partner line of business systems through 'BizTalk' middleware technology
- full functionality across finance, purchasing, fixed assets, HR, payroll and management information
- full functional management and support from our Business Systems team and a joint development roadmap, maintaining the design principles with a single design authority

Enabling integrated Health and Care IT systems and services

A key area of development for us is enhancing integration within the health and care sector by joining up health and care systems across different customers. Our partnership with NHFT has enabled us to develop our IT expertise within the health sector.

An IT and systems strategy for health customers is being developed which will enable us to create a health and care systems centre of excellence.

Pensions system upgrade

Our Pensions service migrated to the Altair payroll system in 2016/17, which is fully integrated with the existing pensions administration system. We now offer a modern payroll and administration solution delivered from a scalable shared systems platform, ideal for exploring future partner and customer opportunities.

Procurement

We offer a complete procurement solution for public and not-for-profit organisations to deliver improved value for money and better outcomes. We can develop and implement the optimal strategic sourcing, procurement and commissioning approaches, supported by a suite of excellent e-procurement tools that enable us to provide direct benefits to our customers. We have dedicated procurement teams for health, care and education; highways, transport and waste; building, property and maintenance; and commercial necessities.

Revenues & Benefits

We remain one of the largest revenues and benefits services in the country, recovering £450m annually in council tax and business rates on behalf of MKC and Northampton Borough Council (NBC), as well as supporting service delivery with our partners Northamptonshire Partnership Homes and Wycombe District Council.

Our LGSS Revenues and Benefits Joint Committee welcomed Horsham District Council as a partner at the start of 18/19, of which will provide further efficiencies through scale and service improvements to our shared service delivery model.

Building success recognised through winning the IRRV Revenues Team of the Year award and being finalist for the IRRV Excellence in Partnership Working category, the service will continue a dedicated approach in workforce development, IT transformation and continuous service improvement.

Opus LGSS recruitment agency

Opus LGSS People Solutions Ltd, an innovative shared recruitment agency was launched in 2017. This joint venture established with Suffolk County Council and LGSS on behalf of CCC and NCC will provide agency and interim staff to our partner councils and for the wider public sector across our region. The benefits include greater cost-effectiveness and giving partners a greater level of control over the quality of agency resources.

Language services

We deliver professional and confidential translation and interpretation services to over 100 organisations across the education, health and social care sectors. We will continue to grow and develop our language services offer, with the aim of becoming the largest language services provider in the eastern region.

Schools and academies

We provide business support services to over 500 schools and academies in Cambridgeshire, Milton Keynes and Northamptonshire, including finance, HR advisory and policy, payroll and HR transactions, procurement and insurance. In addition, we offer 'pay as you go' services such as continuing professional development, legal services, internal audit and risk management and will continue to develop our services for schools.

"The approach means that all the partner councils and LGSS customers benefit from combined experience, shared expertise, increased resilience and economies of scale."

Michael Bracey, Corporate Director – People, Milton Keynes Council

LGSS Statement of Accounts 2017-18

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LGSS Statement of Accounts 2017-18

Narrative Statement

This Annual Report presents the financial statements for LGSS for the period 1 April 2017 to 31 March 2018 and gives a comprehensive summary of the overall financial position of LGSS.

2017-18 Financial Outturn – LGSS

LGSS Operational Service Area	Full Year Budget £000	Transfer from Reserves £000	Full Year Variance £000
Finance Services	14,297	(255)	186
Human Resources	8,554	(114)	(183)
Business Services, Systems & Change	14,690	(400)	(251)
Information Technology Services	15,906	0	109
LGSS Law & Governance	1,453	0	(84)
Managing Director & Support	282	(183)	103
Total LGSS Services	55,182	(952)	(120)
Trading Account ¹	(18,697)	(39)	348
Total LGSS Operational	36,485	(991)	228

The overall financial performance for LGSS in 2017-18 was a deficit of £228k, which represents less than 0.4% of the Full Year Budget. This is the first year in LGSS's seven year history that there has been an overspend, with the overspend being due to a shortfall on the anticipated income from Northamptonshire and Cambridgeshire County Councils relating to the non payment of a dividend by LGSS Law. This issue negatively impacted the variance by £388k. For future years any dividend will remain with the shareholding authorities.

Without this income shortfall the LGSS position would have been an underspend of £160k. This has been achieved in spite of significant challenges including savings targets of nearly £2.8m and the delayed go-live of a combined ERP system across the three partner organisations which has resulted in some savings targets being delivered later than initially planned.

The main variances from budget are explained below:

- The Finance Services Directorate overspent by £186k largely as a result of redundancy and pension strain costs incurred in audit, professional finance and financial operations as part of the delivery of savings to base budgets for the future.
- The Human Resources Directorate underspent by £183k largely due to: underspends in the Policy and Strategy and Business Partner teams due to vacancies and higher levels of recovery of costs than anticipated; and in Learning and Development due to higher levels of grant being utilised than expected.
- The Business Services, Systems & Change Directorate underspent by £251k largely due to: vacancies being held within procurement to meet planned future savings targets; vacancies within the insurance team and an additional unanticipated recovery of costs from a contract; and vacancies within the Business Development team.
- The transfers from reserves in Finance Services, Human Resources and Business Services, Systems & Change were to offset delayed savings due to the revised implementation date of the new ERP system.
- The Information Technology Directorate overspent by £109k largely due to pressures in the Cambridgeshire County Council operational IT budgets and within the LGSS wide Service Delivery team, offset by savings within the Digital Services team.

- The LGSS Law and Governance service area includes democratic services for the partner authorities and the corporate legal budget for Cambridgeshire County Council. The area underspent in 2017/18 within the Democratic services teams. LGSS Law costs are no longer reported in this service area due to LGSS Law being a separate entity.
- The Managing Director & Support service line consists of the Managing Director costs and the PA support to all LGSS Directors plus other central LGSS charges. The overspend on this service line is largely due to a delayed saving with regard to hosting of the new pensions payroll system which will now be delivered in 2018-19. There were also overspends on external audit fees for the LGSS accounts which had not been budgeted for and costs of the Managing Director of LGSS.

Reserves

LGSS does not seek to hold reserves as a contingency for unforeseen circumstances. Instead, reserves are held to invest in service improvement to continually improve the services delivered, facilitating better outcomes for the LGSS Partners and LGSS its customers. The table below shows how the levels of reserves have changed since LGSS became operational as a Joint Committee

	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Outturn £000	2014-15 Outturn £000	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Outturn £000
Brought Forward (1 April)	0	1,489	3,289	2,893	2,005	2,025	1,415
Reinvestment	0	(604)	(2,402)	(2,091)	(2,005)	(2,025)	(1,187)
Repayment to Norwich City Council	0	0	(184)	0	0	0	0
Distribution of prior year dividend	0	0	(700)	(700)	0	0	0
Actual Surplus/(Deficit)	1,489	2,404	2,009	652	204	690	(228)
Balance at 31 March	1,489	3,289	2,012	754	204	690	0
Planned Reinvestment	0	0	881	1,251	1,821	725	727
LGSS Reserves at 31 March	1,489	3,289	2,893	2,005	2,025	1,415	727

In 2017-18, reserves of £1.4m were utilised, of which the majority were to support the delivery of future efficiencies. In addition over £700k was set aside for use in future years. The £228k outturn variance will not be funded by reserves, in line with the agreement with each partner. The remaining reserves are expected to fund a significant investment into the Revenue and Benefits Service (£592k).

Use of Reserves in Year

Theme	2016-17 LGSS Reserves £000	Reserves Drawn Down £000	Addition to Reserves £000	Allocation of	
				2017-18 Deficit £000	2017-18 Carry Forward £000
Reinvestment in Services	1,376	(1,376)	0	0	0
Smoothing	39	(39)	0	0	0
Contingency/Other	0	0	727	0	727
Total LGSS Reserves	1,415	-1,415	727	0	727

Independent auditor's report to the members of LGSS

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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 the 30th August 2018.

Councillor Rob Middleton
Chairman of the LGSS Joint Committee
Date: 30th August 2018

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 2018 and its income and expenditure for the year ended 31 March 2018, and authorise the accounts for issue.

Matt Bowmer
LGSS Director of Finance

The Core Financial Statements

The Core Financial Statements are set out in this Section, and are prepared under the appropriate accounting standards. For LGSS these are the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2017-18, which are based on International Financial Reporting Standards (IFRS). This is in line with the preparation of the annual accounts for all shareholding authorities. The statements contain the appropriate level of detail to ensure they provide a meaningful comprehensive summary of the financial position of LGSS.

Comprehensive Income and Expenditure Statement (CIES)

2016-17	2016-17	2016-17		2017-18	2017-18	2017-18
Gross	Gross	Net		Gross	Gross	Net
Exp	Income	Exp		Exp	Income	Exp
£000	£000	£000		£000	£000	£000
130	734	864	Trading Account	1,754	(1,715)	39
19,459	(19,569)	(110)	Finance Services	21,712	(21,457)	255
10,979	(11,315)	(336)	Human Resources	13,522	(13,408)	114
18,404	(18,507)	(103)	Business Services, Systems & Change	17,114	(16,714)	400
22,391	(22,452)	(61)	Information Technology Services	20,003	(20,003)	0
2,108	(2,160)	(52)	LGSS Law & Governance	1,609	(1,609)	0
623	(494)	129	Managing Director & Support	292	(412)	(120)
74,096	(73,765)	331	(Surplus) / Deficit on Provision of Services	76,005	(75,317)	688
0	0	0	Other Comprehensive Income and Expenditure	0	0	0
74,096	(73,765)	331	Total Comprehensive Income and Expenditure	76,005	(75,317)	688

This statement shows the cost of providing LGSS services reporting the gross expenditure, gross income and the net expenditure by service area. The £688k deficit has been produced in line with the code, and the difference between the £228k deficit report to management team in May 2018 is shown below.

Total LGSS Operational (Surplus)/Deficit	228
Funded by Partners	(228)
Reserves Drawn Down	1,415
Contingency Added to Reserve	(727)
Total CIES (Surplus)/Deficit	688

Balance Sheet

31-Mar-17		31-Mar-18
LGSS		LGSS
£000		£000
0 Non Current Assets		0
9,629 Short Term Debtors (Note 4)		11,533
0 Cash and Cash Equivalents		0
9,629 Current Assets		11,533
(2,334) Short Term Creditors (Note 5)		(7,067)
(221) Provisions (Note 6)		0
(5,658) Cash and Cash Equivalents		(8,720)
(8,214) Current Liabilities		(15,788)
0 Long Term Creditors		0
0 Non Current Liabilities		0
1,415 Net Assets	-	4,255
1,415 Usable Reserves (Note 7)		727
0 Unusable Reserves		0
1,415 Total Reserves		727

This statement presents the value of the assets and liabilities recognised by LGSS as at 31 March 2018.

The Balance Sheet therefore represents debtors, creditors and cash as a result of the activities carried out by LGSS. There are net assets of £727k attributable to LGSS as at 31 March 2018.

The value of non-current assets of £nil shows that LGSS does not known any Assets. Assets used by LGSS to deliver services are owned by the respective partner authorities.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by LGSS. All reserves held by LGSS at the 31 March 2017 and 31 March 2018 are useable reserves.

	LGSS Reserve £000
Balance at 31-Mar-16	2,025
Movement in 2016-17:	
Surplus/(Deficit) on the provision of services	(610)
Other Comprehensive Income and Expenditure	0
Total comprehensive income and expenditure	(610)
Increase/(decrease) in 2016-17	(610)
Balance at 31-Mar-17	1,415
Movement in 2017-18:	
Surplus/(Deficit) on the provision of services	(688)
Other Comprehensive Income and Expenditure	0
Total comprehensive income and expenditure	(688)
Increase/(decrease) in 2017-18	(688)
Balance at 31-Mar-18	727

There has been a decrease of £688k in the LGSS Operational Reserve during the period. The LGSS Operational Reserve is the reserve that is used to hold accumulated surplus/deficits on the provision of services, and to release funding back in to the service as reinvestment to support service innovation to improve service quality and efficiency in the LGSS Service offer.

Cashflow Statement

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.

2016-17		2017-18
LGSS		LGSS
£000		£000
(610)	Net surplus/(deficit) on the provision of services	(688)
	Adjust net surplus/deficit on the provision of services for non cash movements:	
(2,552)	(Increase) / Decrease in debtors	(1,904)
(1,834)	Increase / (Decrease) in creditors	4,733
0	Increase / (Decrease) in provisions	(221)
(4,386)		2,608
(4,996)	Net increase or (decrease) in cash and cash equivalents	1,920
(661)	Cash and cash equivalents at the beginning of the reporting period	(5,658)
(5,658)	Cash and cash equivalents at the end of the reporting period	(8,720)

Cash and cash equivalents for LGSS have decreased during the period by £3,062k. Cash is held within the bank accounts of the three shareholding Councils and therefore LGSS does not have a separate cash balance meaning that the cash figure in this statement is notional being derived from other figures in the Balance Sheet and CIES.

Notes to the Accounts

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises LGSS's financial position for the year ended 31 March 2018. 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 2017-18 (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.

1.4 Detailed Accounting Policies

1.4.1 Cash and Cash Equivalents

Cash is represented by cash in hand, which is held by the core councils, 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 provisions 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

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 (LGPS) 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 a host authority, the net pensions liability/asset is shown within the host authority's Statement of Accounts.

Therefore no pensions liability or asset are recognised on the LGSS balance sheet.

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 partner 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 LGPS.

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.

Expenditure Funding Analysis – The LGSS

Accounts do not include an Expenditure Funding Analysis, instead Note 8 provides a breakdown of the key expenditure types (Employee Costs, and Third Party Payments) reflecting LGSS' position as a service organisation, rather than a local authority. The aim of this policy is to ensure that the LGSS Accounts only include relevant disclosure

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

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The standards that may be relevant for additional disclosures that will be required in the 2017/18 and 2018/19 financial statements in respect of accounting changes that are introduced in the 2018/19 Code are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

Whilst the standards above will be applicable to LGSS, they are not likely to have a material impact on the accounts.

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 service lines that operate within LGSS

IAS19 / Pensions liabilities – As LGSS is not a separate legal entity staff are formally employed by any of the three partner authorities, Milton Keynes Council, 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 and expenditure statement.

Contributions paid during the year are shown in Note 14. 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 the partners and third parties. There are also managed budgets which LGSS administers on behalf of the partner organisations for which LGSS receives no benefit. Activity related to these managed budgets are included within the relevant organisation's statutory accounts and consequently are not included within the LGSS accounts.

4 Debtors and Payments in Advance

2016-17	2017-18
LGSS	LGSS
£000	£000
0 Central Government Bodies	4
4,493 Other Local Authorities	7,350
49 NHS Bodies	71
5,087 Other Entities and Individuals	4,108
9,629 Total Short Term Debtors	11,533

The short term debtors figure for Other Entities and Individuals is comprised of £1.4m of transactions with LGSS Law including service level agreements and recharges for staffing costs. £0.9m comes from payments made in advance to a number of suppliers for services such as licensing and support contracts. The remaining balance is made up from many customers, including schools, with outstanding debts at year end.

The Other Local Authorities figure contains £4.2m relating to trading with Northampton Borough Council and £2.4m relating to the Cambridgeshire Pension Fund.

5 Short Term Creditors and Receipts in Advance

2016-17	2017-18
LGSS	LGSS
£000	£000
(2) Central Government Bodies	(68)
(234) Other Local Authorities	(3,083)
(32) NHS Bodies	(1,210)
(2,066) Other Entities and Individuals	(2,706)
(2,334) Total Short Term Creditors	(7,067)

The Other Local Authorities figure contains £1.9m of Pensions Operation costs and £677k relating to trading with Northampton Borough Council.

The NHS Bodies amount contains £1m of income received in advance for goods and services which will be delivered in 2018-19.

The majority of the £2.7m Other Entities and Individuals balance is from outstanding invoices at year end relating to a number of suppliers including communications providers, software licensing, systems support and agency staff providers. The remaining balance comes from payments made to the organisation in advance of the goods or services being rendered.

6 Provisions

2015-16 LGSS £000	2016-17 LGSS £000
(286) Opening Provision	(221)
65 Provision Utilised in Year	221
(221) Closing Provision	0

LGSS has a provision for the potential redundancies that are required in order to deliver the required savings in relation to the contracts that it operates. In the 2017-18 financial year, this was released as it no longer met the definition of a provision

7 Transfers to/from Earmarked Reserves

	Opening Balance April 2016 £000	Transfers to Reserve £000	Transfers from Reserve £000	Closing Balance March 2017 £000
LGSS Operational Reserve	2,025	969	(1,579)	1,415
Total LGSS Reserves	2,025	969	(1,579)	1,415

	Opening Balance April 2017 £000	Transfers to Reserve £000	Transfers from Reserve £000	Closing Balance March 20178 £000
LGSS Operational Reserve	1,415	727	(1,415)	727
Total LGSS Reserves	1,415	727	(1,415)	727

8 Expenditure & Income Analysed by Nature

2016-17	2017-18
£000 Expenditure/Income	£000
59,977 Employee Benefits Expenses	59,366
18,357 Third Party Payments	16,640
78,334 Total Expenditure	76,005
Income	
(77,724) Fees, Charges and Other Service Income	(75,317)
(77,724) Total Income	(75,317)

The expenditure and income note analysed by nature outline the type of expenditure incurred by LGSS. It breaks down the income and expenditure by expenditure/income category rather than service area.

As is to be expected for a service led organisation, 80% of the LGSS expenditure relates to employee costs, with the remainder relating to payments to external entities for goods and services.

9 Officers Remuneration

Post holder information		Notes	Basic Salary	Honorarium	Allowances & Expenses	Compensation for Loss of Office	Pension Strain	Pension Contribution	Total Remuneration including pension contribution
		£000	£000	£000	£000	£000	£000	£000	
Senior Employees of the Current LGSS Management Board									
LGSS Managing Director - J Kane	2017-18 ^{1,2}	152		2	63		22	239	
	2016-17	135		3			17	155	
LGSS Director of Finance Services	2017-18	117	3	1			19	140	
	2016-17	117	3	1			15	136	
LGSS Director of IT Services	2017-18	116	8	2			20	146	
	2016-17	115	11	3			16	145	
LGSS Director of Business Services, Systems & Change	2017-18 ³	122	3	1			20	146	
	2016-17	49		1			6	56	
LGSS Director of Human Resources	2017-18 ⁴	115	3	3			22	143	
	2016-17	79	23	3			12	117	
Sub-Total 2017-18		622	17	9	63		103	814	
Sub-Total 2016-17		495	37	11			66	609	
Senior Employees remunerated externally									
LGSS Director of Law and Governance	2017-18 ⁵								
	2016-17								
Sub-Total 2017-18		622	17	9			103	814	
Sub-Total 2016-17		495	37	11			66	609	

Notes to Senior Officers Remuneration Note

1. The Interim LGSS Managing Director post has been filled by an interim since 12th February at a cost of £41,480
2. The LGSS Managing Director left the organisation on 31 March 2018. Compensation for loss of office comprised of £30,400 compromise agreement and £32,500 pay in lieu of notice
3. The LGSS Director of Business Services, Systems & Change started mid 2016-17. The prior year comparatives are for the 5 months to 31 March 2017
4. The LGSS Head of Human Resources post was formally re-evaluated to LGSS Director of Human Resources post from 01 October 2016. The prior year comparatives reflect this change
5. The LGSS Director of Law and Governance post reports to the LGSS Law Shareholder Board and the employment contract is with LGSS Law Limited. However the post meets the requirements for disclosure within this note because during 2017-18 the post holder reported directly to the LGSS

MD and was paid above the reporting threshold. This management arrangement has been changed for the 2018-19 financial year with the post reporting only to the LGSS Law Shareholder Board. During 2017-18 the post was paid £134,850 including oncosts through LGSS Law Limited (£131,918 for 2016-17).

The below table excludes the senior employees who are detailed separately on the previous page, and the prior year figures have been restated to make them comparable on this basis. The cost band encompasses salary, redundancy and termination payments.

2016-17 LGSS	Cost band	2017-18 LGSS
24	£50,000 - £54,999	24
11	£55,000 - £59,999	9
8	£60,000 - £64,999	8
8	£65,000 - £69,999	7
1	£70,000 - £74,999	3
1	£75,000 - £79,999	1
6	£80,000 - £84,999	2
1	£85,000 - £89,999	2
3	£90,000 - £94,999	4
0	£95,000 - £99,999	2
2	£100,000 - £104,999	0
1	£110,000 - £114,999	0
1	£120,000 - £124,999	0
0	£125,000 - £129,999	1
0	£130,000 - £134,999	1
1	£215,000 - £219,999	0
68	Total	64

10 Termination Benefits

Total number of exit packages by cost band	Total cost of exit packages in each band	Exit package cost band (including special payments)	Total Number of exit packages by cost band	Total cost of exit packages in each band
2016-17 LGSS	2016-17 LGSS		2017-18 LGSS	2017-18 LGSS
	£000			£000
14	112	£0-£20,000	9	89
1	22	£20,001 - £40,000	2	65
2	88	£40,001 – £60,000	1	60
1	65	£60,001 – £80,000	1	63
0	0	£80,001 – £100,000	1	88
0	0	£100,001 – £150,000	0	0
1	151	£150,001 – £200,000	0	0
0	0	£200,001 – £250,000	0	0
1	260	£250,001 – £300,000	0	0
20	698	Total cost included in bandings	14	365

Exit packages within the Termination Benefits table include redundancy payments, pensions strain and compromise agreements where applicable.

11 Transactions with Related Parties

LGSS's related parties are the shareholding authorities (Milton Keynes Council, Northamptonshire County Council and Cambridgeshire County Council), and also LGSS Law who share senior manager personnel with LGSS.

LGSS Law Limited

LGSS Law Limited is a provider of legal services, owned by Central Bedfordshire Council, Northamptonshire County Council and Cambridgeshire County Council. It receives support services from LGSS, and also provides legal services to LGSS. During the 2017/18 financial year, LGSS provided services to the value of £598k (16/17 £848k) to LGSS Law, and at the 31st March 2018 the amount owed to LGSS Law by LGSS totalled £377k (16/17 £194k).

Opus LGSS People Solutions

Opus LGSS People Solutions is a joint venture owned by Opus People Solutions Ltd and two of the LGSS Partner organisations, Northamptonshire and Cambridgeshire County Councils who both have shareholdings of 20% each. Opus LGSS People Solutions recruits temporary and interim workers, allowing the County Councils and LGSS to reduce their overall agency cost for its temporary staffing needs as well as have greater influence over the quality and pay of agency workers. LGSS currently has two shareholder representatives on the Opus LGSS People Solutions Board, both are Northamptonshire County Council employees, the Director of Business Services, Systems and Change and the Head of Procurement.

Partner Authorities

All partner authorities allocate funding to LGSS by identifying budgets within their budgeting processes. The LGSS Budget for each authority is shown in the table below.

2016-17 Budget Allocated £000	2017-18 Budget Allocated £000
8,865 Cambridgeshire County Council	9,248
11,634 Northamptonshire County Council	12,136
11,345 Milton Keynes Council	15,101
31,844	36,485
Total Budget Allocated	

No cash transactions take place and therefore there were no amounts outstanding on the 31st March 2018

12 Events after the Balance Sheet Date

The CIPFA code states that events that have occurred between the year-end and the date that the Statement of Accounts are issued that might have a bearing upon the financial results of the past year and the financial position presented in the Balance Sheet should be disclosed within the Notes to the Accounts.

As at the time of the draft accounts being issued, no such events have been identified.

13 External Audit Costs

2016-17 LGSS £000	2017-18 LGSS £000
KPMG LLP - audit services carried out by the	
22 appointed auditor	22
22 KPMG LLP - Audit Work relating to 2014/15	0
22 Total External Audit Costs	22

14 Pension Schemes accounted for as defined contribution schemes

LGSS staff are formally employed by either Northamptonshire County Council, Cambridgeshire County Council or Milton Keynes Council and are therefore 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 2017-18 and 2016-17 are included within the table below.

2016-17	2016-17		2017-18	2017-18
%	£m		%	£m
21.7	2.3	Cambridgeshire County Council	21.7	2.3
12.8	2.5	Northamptonshire County Council	12.8	2.5
17.9	1.2	Milton Keynes Council	17.9	1.2
	6.0	Total		6.0

Note 1 – CCC and MKC apply a pension contribution rate that covers the deficit repayment for the scheme and future liabilities. NCC apply a pension contribution rate that covers the future liabilities of the scheme with a separate budget held corporately for the deficit repayment for the scheme.

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 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 Joint Committee operates to NCC'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 meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

2. The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which LGSS is directed, controlled and held accountable. 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 plans and priorities and can therefore only provide reasonable assurance of effectiveness.

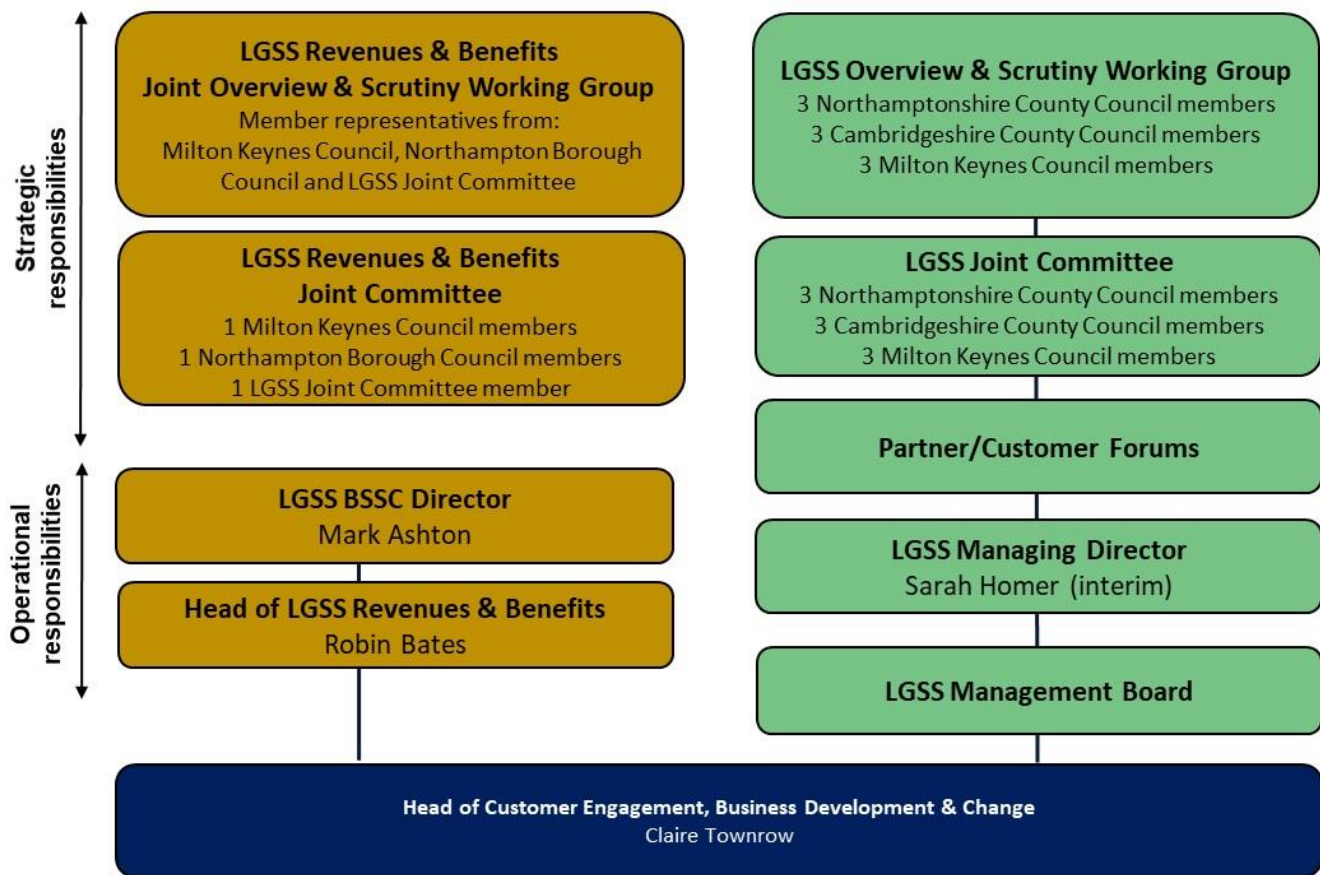
The system of internal control is an on-going process designed to:

- identify and prioritise the risks to the achievement of LGSS plans and priorities
- evaluate the likelihood of those risks occurring
- evaluate the impact should they occur
- manage the risks efficiently, effectively and economically

The LGSS strategic plan delivers these points as part of the annual cycle. For much of 2017-18, Revenues & Benefits service provision fell under the control of the LGSS Joint Committee, but a new LGSS Revenues & Benefits Joint Committee was established in February 2018, taking over responsibility for Revenues & Benefits services.

The governance framework reflects the position with the new committee in place and this remains the position up to the date of approval of the annual report and statement of accounts.

3. The governance framework



During much of 2017-18 the line management of the executive director of LGSS Law was provided by the LGSS managing director, who was also a non-executive director of LGSS Law.

The governance arrangements for LGSS Law have subsequently changed, formally reflecting that LGSS Law operates as an 'alternative delivery vehicle' outside of LGSS. The LGSS managing director has no management responsibility for LGSS Law, which now falls fully within the remit of the LGSS shareholder board and the non-executive directors appointed by the shareholder councils.

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 LGSS Joint Committee and the LGSS Joint Overview & Scrutiny Working Group both comprise nine members appointed by each of the three partner councils on a four yearly basis – three each from CCC, MKC and NCC.

The Joint Committee has an agreed constitution which sets out how it operates and how decisions are made. The Joint Overview & Scrutiny Working Group operates within an agreed terms of reference.

The scheme of delegation in LGSS is based upon the delegations operating in the three partner councils.

Members and officers comply with the code of conduct of their respective council.

LGSS operates to the policies and procedures in place in each of the partner councils to ensure that, as far as possible, its elected members and officers understand their respective responsibilities. New members and officers receive an induction and training on key policies and procedures as these are developed within each of the partner councils.

All LGSS directors and heads of service have responsibility for maintaining a sound system of internal control within their area of responsibility.

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.

A standards committee is in place in each partner council to review any complaints regarding councillors, including Joint Committee and Joint Overview & Scrutiny Working group members, and to promote high standards of conduct and observance of the member codes of conduct (CCC, MKC 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 partner council has anti-fraud and corruption, whistle-blowing and money laundering policies in place which also apply to LGSS.

3.3 Decision making, scrutiny and risk management

Good governance means that risk is robustly assessed and managed, and that decision making is informed, transparent and effectively scrutinised. The operating model review currently being undertaken is testing the robustness of the existing processes and will make recommendations accordingly.

The Joint Committee takes executive decisions in accordance with its constitution.

The three partner 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 partner council. LGSS Internal Audit operates in accordance with the Public Sector Internal Audit Standard.

The Internal Audit team plans and prioritises its work using a risk based auditing approach, seeking to programme work based on risk, strength of control and materiality. Reports, including an assessment of the adequacy of controls and action plans to address weaknesses, are submitted to LGSS directors and the audit committees of the partner councils.

LGSS complies with agreed risk management processes for all three partner councils, underpinned by an approved LGSS risk management policy and procedures. LGSS maintains a strategic risk register and

directorates risk registers which are required to be subject to regular formal review as outlined within the LGSS risk management policy.

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 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

Good governance means engaging stakeholders to ensure LGSS delivers services which meet the needs of its customers and partner councils. LGSS operates to service level agreements and has a number of mechanisms for customer engagement.

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

Good governance means developing and clearly communicating LGSS plans and priorities to its key stakeholders. LGSS undertakes an annual business and service planning process which takes account of the requirements of the partners and customers. LGSS is an integral part of the medium term financial planning processes of CCC, MKC and NCC to support the delivery of their business plans and reduction of costs against their priorities.

The Customer Engagement, Business Development & Change function coordinates the LGSS performance management framework to evidence the delivery of each of the LGSS services, including:

- delivery of the LGSS customer satisfaction framework
- creation, monitoring and management of service improvement plans with quarterly reporting to customer senior management teams
- customer engagement and relationship management with existing customers including customer contract management
- business intelligence including key performance indicator reporting and trend analysis
- LGSS communications and marketing
- business development and initial engagement with potential new customers

4. Review of effectiveness

The operating model review currently being undertaken is testing the robustness of the existing processes and will make recommendations accordingly.

Internal Audit and Risk Management staff have undertaken a basic compliance review to ensure that key aspects of the LGSS governance framework have been applied during 2017/18. The key evidence to support the review of effectiveness is outlined in this statement.

4.1 Planning

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

LGSS has a five year strategic plan (2017/18 -2020/21) which details the mission, values, strategy and goals, along with objectives for each directorate which align with the financial plans and business trading targets of the partner councils.

The financial element of the plan (2018-19 budget) was approved by the Joint Committee on 28 March 2018. However, the wider strategy itself is currently under review and will be informed by the comprehensive review of the LGSS operating model.

4.2 LGSS Joint Committee

The Joint Committee is responsible for key decisions, meeting 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 2017/18, formal Joint Committee meetings were held on these dates:

- 1 June 2017
- 28 September 2017
- 24 November 2017
- 28 March 2018

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 Joint Committee. Each council has three votes.

The chairperson of the Joint Committee is rotated on an annual cycle between each partner 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.

4.3 LGSS Revenues and Benefits Joint Committee

Revenues & Benefits moved away from the LGSS board arrangement at the end of 2017/18 when the LGSS Revenues & Benefits Joint Committee was formed.

The high level governance of the LGSS Revenues and Benefits Joint Committee is:

- the committee has three councillors (1 NBC, 1 MKC, 1 LGSS Joint Committee)
- to be quorate the meeting will need attendance from one councillor from each organisation
- voting will be by simple majority
- there will be a minimum of three meetings per year
- the management support for the committee will be delivered by LGSS services

The role of the Revenues & Benefits Joint committee will be to set the direction and vision for the shared service, agree financial, service delivery and business growth plans and review performance and change programmes.

4.4 Overview and scrutiny

Overview and scrutiny of LGSS is undertaken by the LGSS Joint Overview and Scrutiny Working Group, a joint body made up of representatives from each of the partner councils. The Joint Working Group is responsible for carrying out both forward-looking and retrospective scrutiny of matters relating to the development and performance of LGSS. The terms of reference specify that the Joint Working Group will particularly focus on:

- accountability – holding the LGSS Joint Committee to account for the discharge of its functions
- improvement – investigating issues associated with LGSS and making recommendations that seek to improve the quality of services delivered

The Joint Working Group was established in 2016/17 following discussions between the overview and scrutiny functions at MKC and NCC about taking a joint approach to scrutiny of LGSS. CCC was subsequently invited to participate in the Joint Working Group, although its democratic structure does not include overview and scrutiny committees.

The Joint Working Group meets three times a year at each of the partner councils in turn. Joint Working Group 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.

The Joint Working Group will continue to operate for as long as the parent committees consider that there is value in the arrangement.

4.5 LGSS management board

The LGSS Management Board meets monthly with these core attendees:

- LGSS Managing Director
- LGSS Director of Finance

- LGSS Director of IT
- LGSS Director of HR
- LGSS Director of Business Services, Systems and Change
- Chief finance officers of the three partner councils

Each LGSS director has provided a self-assurance statement in respect of 2017/18 that:

- they fully understand their roles and responsibilities
- they are aware of the principal statutory obligations and key priorities of LGSS and those of the partners and customers 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

4.6 Independent assurance

The LGSS chief internal auditor agrees the LGSS internal audit plan for the financial year with the managing director and the LGSS management board annually, in line with CCC, MKC, and NCC policies and procedures.

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

- control environment assurance
- compliance assurance
- organisational impact

The tables below detail the five levels for each of the first two assurance opinions. The third opinion sets out whether the area audited and the strength of its controls represent major, medium or minor organisational implications.

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.

A review of the chief internal auditor's 2017/18 annual reports to the audit committees of the three partner 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 good, with the exception of NCC where the opinion is 'limited.' Where the limited opinion has been given the various contributory factors include non-compliance to mostly satisfactory systems of controls.

In instances where the assurance level was limited, actions have been agreed with management which, when implemented, should raise the assurance level for these audit areas to at least 'good.'

4.7 External audit

While 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. KPMG LLP was appointed as LGSS' external auditor from 2013/14.

4.8 Risk management

LGSS complies with agreed risk management processes for all three partners which is underpinned by an

approved LGSS risk management policy and procedures. 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 policy.

There is an annual review of the LGSS strategic risk register by the LGSS management board and the LGSS directorate risk registers are reviewed quarterly via directorate management team meetings.

4.9 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 the three partner 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.

4.10 Engagement

LGSS has engaged with its customers throughout 2017/18 via these channels:

- monthly/quarterly/bi-annual customer performance meetings (as per customer contract)
- presentations to the customer senior management teams throughout the year
- LGSS managing director meetings with LGSS Joint Committee chair/vice chair
- senior responsible officer quarterly one-to-one meetings with customer chief executives or nominated senior managers
- client services manager monthly one-to-one meetings with customer chief executives or nominated senior manager
- LGSS customer feedback channels

LGSS launched a new website to better supports new and existing customers in 2017.

4.11 Significant governance issues

There are robust governance arrangements for LGSS based on the three partner authorities' financial policies and procedures.

The operating model review currently being undertaken will make recommendations to further strengthen these arrangements for the future.

In addition, during 2017-18, LGSS has supported additional governance arrangements at NCC following the significant financial issues faced by the council and the issue of the Section 114 notice in February 2018.

Expenditure control panels have been put in place for LGSS spend through NCC in line with the arrangements for the council itself.

5. Conclusion and evaluation

As chair of the 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 Rob Middleton

Chairman of the LGSS Joint Committee

Date:

Sarah Homer

Interim LGSS Managing Director

Date:

Appendices

Appendix 1: Terms of reference for the 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.

	2016/17	2017/18	2018/19	2019/20
Joint Committee Chair	NCC	MKC	CCC	NCC
Joint Committee Vice Chair	MKC	CCC	NCC	MKC

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 subcommittee 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 subcommittee 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.

LGSS Joint Committee

30 August 2018

Subject: LGSS 2018-19 Budget Monitoring

Actions:

- 1. Note the financial monitoring position as at 31 July 2018**
- 2. Note the capital monitoring position regarding LGSS capital projects for CCC**

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 with regard to each authority's budget proposals for 2018-19. At the end of the year the LGSS Operational outturn variance will be considered by Joint Committee for reinvestment and future commitments. In the event of a deficit and no other reserves it would be split between the core councils on the basis of net budget, as per the partnering agreement.

Revenue position

2. The forecast outturn variance on LGSS Services at the end of July is an overspend of £322k of which £168k is directly attributable to NCC. There is an anticipated underachievement of trading income of £70k. This compares to a forecast overspend of £216k on LGSS services and a -£100k trading surplus at the end of June. Further details are set out in section 2 and Appendix 1.

	Previous LGSS Net Variance £000	Full Year Budget £000	Current LGSS Net Forecast Variance £000
Total LGSS Services	216	42,768	322
Trading Account / Partnership Contingency / Budget issues to be resolved	-100	-12,584	70
Total LGSS Operational	116	30,184	392

3. The main changes since the June report are:
 - An increase of £48k forecast overspend in Finance predominantly within Accounts Payable Team from the legacy HUB team for April & May salaries.
 - A decrease in forecast overspend of £20k in HR due to reduced costs in payroll.
 - An increase of £58k within Language Services due to the risk attached in not achieving the additional income target.
 - A shortfall in trading surplus of £170k as income from a new customer will not be achieved as anticipated.
4. Actions are being taken to seek mitigation to offset 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 reduce the forecast overspend.
5. There are also pressures mentioned within the report, which will potentially result in an increased overspend position. Mitigating actions will be taken to address these pressures wherever possible.
6. Savings delivery – At this stage of the year the savings tracker is showing £378k of savings rated red, £617k rated amber and £1,925k rated green.

Reserves position

7. The balance in LGSS reserves at 31 March 2018 was £76k, an additional transfer of £648k will be made from the partnership contingency to LGSS reserves during 2018-19 as set out in the LGSS Strategic Plan.

8. Budget Reconciliation

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

9. Capital Position

The capital position for CCC as at period 4 can be seen in the table below, further detail is shown in appendix 3. For NCC and MKC we do not yet have the period 4 capital data. However, work continues to clarify the position on a number of NCC projects where significant spend has been incurred in previous years to clear down old schemes and give more clarity over current LGSS managed capital spend for NCC.

Authority	Exp Budget	Forecast Total Life of Project	Over / (Under) Spend v Approved Exp
	£000	£000	£000
CCC	2,025	2,025	0

Section 2 - LGSS Operational – July 2018

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actuals £000	Full Year Forecast Variance £000
Finance Services	150	21,033	-6,096	-1,302	13,634	3,059	198
Human Resources	20	11,630	-2,228	-364	9,038	3,157	0
Business Services, Systems & Change	-40	7,989	-1,136	-491	6,362	2,420	37
Information Technology Services	-1	17,967	-1,020	-3,319	13,627	6,409	0
Managing Director & Support	87	116	-10	0	106	6	87
Total LGSS Services	216	58,735	-10,491	-5,476	42,768	15,052	322

Trading Account	-100	1,692	-14,849	0	-13,157	-1,746	70
Partnership Contingency	0	648	0	0	648	0	0
NCC Budget items to be resolved	0	-75	0	0	-75	0	0

Total LGSS Operational	116	61,000	-25,340	-5,476	30,184	29,548	392
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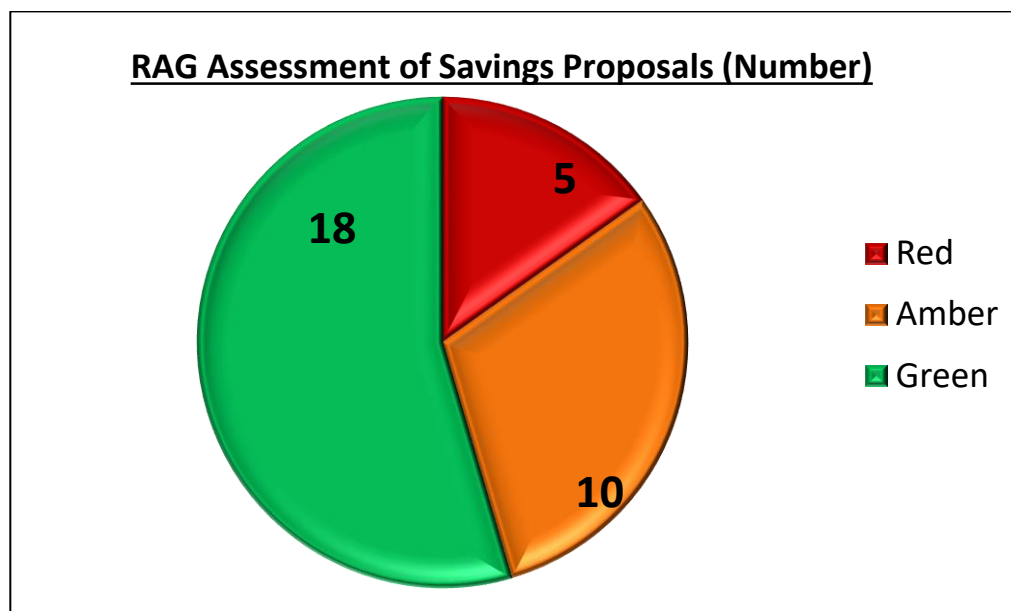
Revenue position

1. The forecast outturn variance on LGSS Services at the end of July is an overspend of £322k, of which £168k is directly attributable to NCC. There is an anticipated underachievement of trading income of £70k. Further detail and commentary on these are provided at Appendix 1 and 7.
2. The forecast overspend on Managing Director and Support reflects the additional costs of the interim managing director.

Savings delivery

3. The Budget Savings Tracker enables service managers to give a monthly update on the delivery of 2018-19 savings and benefits. A summary of this information is given at paragraph 3 below. This is monitored and reviewed on a monthly basis with LGSS Directors, the Finance Director and the Managing Director.
4. The tracker shows current savings at risk totalling £1,035k. A summary of the current RAG rating of budget proposals by Directorate is shown overleaf:

Directorate Summary of Savings Proposals	No. of proposals	Total Savings	Red	Amber	Green
Human Resources	2	189	0	0	189
Business Services, Systems and Change	7	913	58	18	837
Information Technology	7	565	170	395	0
Finance Services	6	467	90	15	362
Strategic Management	2	224	0	100	124
NCC specific savings	8	562	60	89	413
Total	32	2,920	378	617	1,925



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

- The table below summarises the capital projects within LGSS for CCC, no capital data is available for NCC and MKC. LGSS projects are all fully funded from either external funding sources or by the individual authorities discretionary funding. CCC capital schemes are forecast to deliver to budget. Appendix 3 gives further detail on a scheme by scheme basis.

	Expenditure Profile	Funding Profile
Authority	Page 83 of 92	External Discretionary

	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			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

Appendix 1

2018-19 Monitoring Detail – LGSS Operational Budgets

Finance Services Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to July £000	Full Year Forecast Variance £000
Finance Services Directorate:							
Professional Finance							
CCC	0	1,884	0	-328	1,555	572	0
MKC	0	1,922	-53	-64	1,805	473	0
NCC	0	1,277	-10	-198	1,069	523	0
LGSS Director of Finance	0	171	0	0	171	56	0
Premature Retirement Costs	0	133	0	0	133	-11	0
Financial Operations	0	3,735	-245	-65	3,425	1,247	59
Debt & Income Service	0	952	-2	-112	838	325	0
Integrated Finance Services	0	1,812	-625	-359	828	454	-10
LGSS Business Planning & Finance	0	467	0	0	457	143	0
Audit & Risk	150	2,049	-422	-175	1,452	552	150
Pensions Operations	0	4,734	-4,734	0	0	-1,702	0
Norwich	0	1,142	0	0	1,142	354	0
NBC	0	755	-5	0	750	74	0
Total	150	21,033	-6,096	-1,302	13,624	3,059	198

The Directorate is currently forecasting a pressure of £48k plus a specific pressure in Internal Audit of £150k directly attributable to NCC.

In CCC Professional Finance team there is a risk of not achieving in full the £95k savings target relating to the MKC business case where opportunities to secure savings has been limited across the team, alongside resource demands in relation to faster closedown and system implementation. At this stage £20k shortfall is anticipated and continues to be monitored.

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

Finance Operations are reporting a pressure of £15k due to the interim costs of the Head of Finance Operations role and £44k in Accounts Payable due to the legacy HUB team in MKC for salaries in April & May. There is also a risk of £80k pressure in NCC MAP team from insufficient budget and no longer receiving a contribution of £35k from CCG's for processing Direct Payments which hopefully will reduce through future team turnover. A review of the impact in the outturn in addressing the backlog in Accounts Payable is still ongoing.

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

Integrated Finance is currently forecasting a small underspend of £10k. There are ongoing discussions with NBC to put additional resource in to the NBC audit which KPMG has identified as high risk and are

consequently taking a more substantive approach, which has also led to additional audit costs relating to the 2016-17 audit. Schools traded income targets are challenging due to pressure on school budgets and further conversions of maintained schools to academies, this is being closely monitored.

The LGSS Business Planning & Finance team is forecasting an underspend of £44k. The Business Planning Manager role is vacant and the opportunity is being taken to review the structure and contribute towards the overall LGSS Strategic Management efficiency target.

There were savings of £150k required from Audit & Risk relating solely to NCC. The NCC Director of Finance has recognised that this saving will put the authority at risk and has agreed its removal. The accounting remains outstanding for this and that creates a reported forecast overspend. With that adjusted this budget forecasts an on budget year end.

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

Human Resources Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to July £000	Full Year Forecast Variance £000
Human Resources Directorate:							
HR Central Management	14	150	0	0	150	64	14
Policy & Strategy	-25	1,074	0	0	1,074	313	-25
Health, Safety & Wellbeing	0	741	-132	-95	514	84	0
HR Business Partners							
CCC	0	1,190	0	-97	1,093	382	0
NCC	0	925	0	0	925	198	0
MKC	0	765	0	-55	710	312	0
NCC Schools Income	0	168	-256	10	-78	-61	0
MKC Schools	0	154	-151	0	3	49	0
Learning & Development	0	3,997	-990	-18	2,989	1,229	0
Transactional Services	31	2,466	-699	-109	1,658	586	11
Total	20	11,630	-2,228	-364	9,038	3,157	0

The Directorate is currently forecasting a nil variance.

There is a pressure on Learning & Development staffing caused by a reduction in grant funding. The service are currently investigating mitigations and continuing 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.

Early indications show that there will be a shortfall in income of approximately £75k in the payroll service, as more schools convert to academies and use the payroll provider of their multi-academy trust. This is being partly offset by an underspend on staffing and the plan will be to try and absorb the remainder from the planned re shape of the service or through the reduction in payroll printing costs following the move to ERP Gold.

Business Services, Systems & Change Directorate

	Previous Forecast Variance £000	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Full Year Budget £000	Actual to July £000	Full Year Forecast Variance £000
Business Services, Systems & Change Directorate:							
BSSC Leadership	4	159	0	0	159	55	4
Procurement	18	1,425	-159	-12	1,253	361	18
Insurance	0	449	-59	-271	120	600	0
LGSS Business Systems & Change	0	3,712	0	-145	3,567	869	0
Customer Engagement	8	387	0	0	387	129	3
Language Service	0	754	-738	-65	-49	31	58
Business Development	-30	244	-69	0	174	143	0
Democratic Support Services	-40	859	-110	2	751	234	-46
Total	-40	7,989	-1,136	-491	6,362	2,420	37

The Directorate is currently forecasting an overspend of £37k.

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

An £18k pressure in Procurement due to a small delay in the planned restructure, this restructure is now in process and every effort is being made to eliminate this projected pressure by tightly controlling all expenditure.

Within Insurance, staff overtime and additional external claim handling resource are being utilised to deal with the impact of a significant increase in the volume of claims received. The impact of this is not yet known as the service are currently carrying vacancies pending a restructure. It has been agreed that any overspend in relation to the increase in claim volumes will be split between NCC, CCC and MKC.

LGSS Business Systems & 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.

Customer Engagement are forecasting a £3k pressure due to a combination of agency staff to backfill vacancies, and two roles receiving acting up payments until October 2018 to support delivery of business priorities.

Language Services have an additional £58k income target to achieve this year. The Service are continuing to develop a business plan to achieve this, however, it is forecast that there is a high risk that this will not be achieved due to the changes in how the service is delivered from less face to face meetings and a shift towards more phone calls and the potential loss of one its main customers as it re-procures it's contract elsewhere. The service are completing detailed monitoring to ensure it reconciles to their internal database which will inform more accurate forecasting.

Business Development - £30k underspend due to vacant Business Development and Marketing Manager post not being filled (SM1) which will contribute towards the overall LGSS Strategic Management efficiency target.

Within DSS, the service overall is forecasting an underspend of £46k, due to vacancies in CCC and additional income from the Combined Authority and CCC Fire Service. Within NCC DSS, there is a £18k risk attached to a NCC specific saving of £51k in respect of support to NCC cabinet.

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 July £000	Full Year Forecast Variance £000
IT Directorate:							
Cambridgeshire County Council	0	2,216	0	-974	1,242	627	0
MKC IT	0	2,479	-1	-50	2,428	1,003	0
MKC IT Schools	0	402	-462	0	-59	105	0
Northamptonshire County Council	0	2,704	-39	-618	2,047	636	0
Norwich	0	2,508	-250	0	2,258	1,202	0
NHFT	0	3,324	-253	0	3,072	1,007	0
Strategy & Architecture	0	887	-16	-109	761	273	0
Digital Services	0	2,011	0	-1,177	834	1,123	0
Service Delivery	0	1,434	0	-391	1,043	433	0
Total	0	17,967	-1,020	-3,319	13,627	6,409	0

The Directorate is not currently forecasting any variances.

Whilst there are pressures within the budget, the service has mitigated these pressures in the previous financial year, and will continue to do so. The service is currently undertaking a zero based budgeting exercise which will provide detail regarding the cost of services, and how these budget reductions can be met sustainably.

A full review of all income sources is also underway to document the range of income sources and standardise the mechanism for collection of income across the services. This will allow for monitoring and reporting by exception the progress against income targets across the directorate.

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

Appendix 2

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

LGSS manages budgets on behalf of each authority and performance against these budgets is separately reported within each of the authority's monthly monitoring processes. As any under or 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 July	Full Year Forecast Variance
	£000	£000	£000	£000	£000	£000	£000
Cambridgeshire County Council:							
Insurance	0	2,139	0	0	2,139	25	0
Members Allowances	49	1,034	0	0	1,034	347	0
National Management Trainees	0	179	-8	0	172	63	41
Health & Safety Counselling	0	36	0	0	36	-16	0
Information Technology	0	4,655	-202	-1,459	2,994	1,927	0
Total	49	8,044	-210	-1,459	6,375	2,347	41
Milton Keynes Council:							
Human Resources	0	187	0	0	187	116	0
Information Technology	0	94	0	0	94	193	0
Total	0	280	0	0	280	308	0
Northampton Borough Council:							
Finance Managed	0	260	0	0	260	-217	0
Information Technology	0	0	0	0	0	-147	0
Insurance	0	754	0	26	781	0	0
NBC Managed Income	0	1,271	-2,312	0	-1,041	2,209	0
Total	0	2,285	-2,312	26	0	1,844	0
Northamptonshire County Council:							
External Audit	0	244	0	0	244	89	0
Social Care	45	0	-45	0	-45	1,903	45
Occupational Health	0	365	0	0	365	49	0
Information Technology	0	3,388	0	0	3,388	2,964	0
Democratic Services	-121	954	0	0	954	241	-81
Total	-76	4,951	-45	0	4,906	5,245	-36

Cambridgeshire County Council

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

Milton Keynes Council

There are no reported variances on the budgets managed by LGSS on behalf of MKC

Northampton Borough Council

There are no reported variances on the budgets managed by LGSS on behalf of NBC

Northamptonshire County Council

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

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

There is a forecast underspend of £81k within Democratic Services due to lower level of expenditure for Councillor allowances and training due to changes in political leadership totalling £101k and £20k one off benefit from outstanding purchase orders which weren't closed in the previous financial year. DSS is also looking to recruit a new post within LGSS Democratic Services Team, £40k. This is still currently going through approval but has been forecasted as it has received CEAP approval.

No capital monitoring data has been received for period 4 from either NCC or MKC.

The table below shows the capital position as at the end of July for CCC.

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

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

Appendix 4 – 2018-19 Budget Reconciliation

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

	CCC £000	NCC £000	MKC £000	Total £000
Net budget as per Strategic Plan	8,871	10,636	8,784	28,292
<u>Movements</u>				
Health & Safety staff counselling moved to CCC Managed	-36			-36
Corporate legal budgets returned to CCC/NCC	-102	-90		-192
LGSS Law dividend/retained earnings income target returned to CCC/NCC	102	102		204
Removal of OCS income target		1,755		1,755
MKC Pay Inflation 2% (excluding R&B)			161	161
Budget as at 31st July	8,835	12,403	8,945	30,184