

LGSS JOINT COMMITTEE: MINUTES

Date: Friday, 14th December 2018

Time: 2.00pm – 4.45pm

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

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

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

Northamptonshire County Council (NCC):
Councillor Bob Scott

Others in attendance:

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

Apologies: Councillors Kindersley and Morris

61/18 NOTIFICATION OF CHAIRMAN FOR 2018/19

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

62/18 NOTIFICATION OF VICE-CHAIRMAN 2018/19

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

63/18 DECLARATIONS OF INTEREST

None.

64/18 MINUTES – 30TH AUGUST 2018

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

65/18

UPDATE ON LGSS ANNUAL REPORT AND STATEMENT OF ACCOUNTS

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

During the course of discussion Members:

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

It was resolved:

To note the update provided.

66/18

LGSS BUDGET MONITORING REPORT – OCTOBER 2018

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

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

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

During discussion Members:

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

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

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

It was resolved unanimously to:

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

67/18

LGSS INTERNAL AUDIT PLAN 2018-19

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

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

During a discussion of the report, Members:

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

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

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

It was resolved unanimously to:

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

UPDATES TO SCHEDULE 2 OF THE DELEGATION AND JOINT COMMITTEE AGREEMENT

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

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

During the course of discussion Members:

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

ACTION

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

It was resolved to:

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

69/18

EXCLUSION OF PRESS AND PUBLIC

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

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

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

It was resolved to:

Agree the recommendations as set out in the report.

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

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

It was resolved to:

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

72/18 ERP UPDATE

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

Councillor Rogers left the meeting at 16:40

73/18 NEW BUSINESS DEVELOPMENT

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

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

It was resolved to note the update provided.

Chairman