
Northampton Borough Council

Progress update report – LGSS contract review

To: Francis Fernandes, Borough Secretary and Monitoring Officer (Audit Sponsor)

From: Kate Mulhearn, Internal audit senior manager

This paper has been prepared to provide an update on progress to date on the internal audit review of the delivery of the LGSS contract.

Background and scope of work

In June 2013, the Council outsourced its back office function under a cost sharing agreement to the Local Government Shared Service (LGSS) for an initial period of five years. LGSS has been delivering a range of services for the Council including HR, organisational and workforce development, ICT, finance related services including treasury management, financial advice and a Section 151 Officer, legal services, revenues and benefits, procurement; and insurance.

One of the primary reasons for outsourcing back office functions to LGSS was to deliver increased value for money for the Council through the delivery of cost savings while ensuring that service levels were maintained. Given the contract is now halfway through its initial five year term, the Council wants to get clarity over the services that are being provided, to consider whether it is receiving the expected services and benefits from this arrangement, to confirm that processes are in place to monitor and validate contract performance and that the services received represent value for money for the Council.

The objectives included in the review are as follows:

- Assess the current contract financial position, in particular whether there is regular financial reporting by LGSS on the costs which have been incurred and the savings realised, whether sufficient, appropriate information is provided to support the costs charged and savings realised and whether payments are being made in line with the contract requirements and for the services being received
- Assess how the LGSS is delivering value for money to the Council, in particular understanding how services are being delivered, how service delivery and requirements have changed since the start of the contract, whether the savings generated are in line with initial Council expectations and whether costs and savings are appropriately monitored and reported

Areas of focus

We have agreed, as part of our approved terms of reference, to assess of how the LGSS is delivering value for money by focusing on the Human Resources and Legal Services (the “Agreed Services”) provided under the contract.

Our work does not consider whether the range of services being provided is appropriate to the needs of the Council, neither will we be undertaking any benchmarking of the cost of the services being delivered against that which could be obtained elsewhere.

Actions to date

To date we have completed the following activities:

Activities completed to date	Outcome/purpose
Obtained and reviewed the contract and contract performance and financial related documentation and	We have obtained an understanding of the underlying contract, services, current contract performance from a service delivery and financial perspective. This has

Activities completed to date	Outcome/purpose
information.	supported and informed subsequent discussions with LGSS.
Met with key individuals within the Council – specifically, Francis Fernandes (Borough Secretary and Monitoring Officer), Julie Seddon (Director of Customers and Communities) and Marion Goodman (Head of Customer and Cultural Services).	Discussions with relevant individuals have provided background to the contract and associated concerns in respect of the services being delivered.
Met with key individuals within LGSS – specifically Matt Bowmer (Director of Finance and Section 151 Officer) Claire Townrow (Head of Service Assurance, Customers and Strategy), Quentin Baker (Director of Law, Procurement and Governance), Christine Reed (Director of People, Transformation and Transactions), Sarah Burr (Customer Contracts Manager) and Dawn Leader (Group Accountant).	We have obtained an understanding of the nature of the Agreed Services being delivered by LGSS for the Council and how those services are being delivered, including the procedures, systems and documentation in place.
Activities scheduled for early January 2016	Outcome/purpose
Meetings with Dawn Leader and Sarah Burr to discuss and validate the annual contract financial outturn and associated cost savings.	We will build an understanding of how contract costs and associated savings are determined based on actual costs incurred by LGSS for the services being delivered.
Meeting with Christine Reed and Neil Goryn (Accountant) to discuss and validate contract costs for the Agreed Services.	We will understand and validate the costs incurred in both HR and Legal Services, including both employee and indirect costs allocated to the delivery of the Council's services, and assumptions which support their calculation.

The above activities have been supported by regular update meetings with Julie Seddon and Marion Goodman to provide an update on progress to date, initial observations from the activities undertaken and to discuss and agree next steps and areas of focus going forward.

Next steps

As part of the meetings to be held in early January as outlined above, we will test the completeness and accuracy of the cost data which is reported to the Council, including obtaining evidence to support the costs recorded and reported and reviewing the true up process for payroll costs incurred.

Closing meetings are to be held with Julie Seddon (Director of Customers and Communities) and Marion Goodman (Head of Customer and Cultural Services at the Council) and Matt Bowmer (Director of Finance and Section 151 Officer) and Claire Townrow (Head of Service Assurance, Customers and Strategy) in January and February respectively to discuss the findings of our review, including any gaps and weaknesses identified in the existing processes. As part of these meetings we will agree actions for improvement and report back to the March Audit Committee the results of our work.

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