



Committee: SHARED REVENUES AND BENEFITS SERVICE JOINT COMMITTEE

Date: MONDAY, 14 DECEMBER 2020

Venue: REMOTE MEETING VIA MICROSOFT TEAMS

Time: 9.00 A.M.

A G E N D A

1. **Apologies/Notification of Substitute Members (if any)**

2. **Declarations of interest**

To receive any declarations of interest from Members.

3. **Minutes** (Pages 3 - 4)

To confirm the minutes of the meeting held on 18 December 2019.

4. **Shared Service: Annual Governance Statement 2019/20** (Pages 5 - 13)

Report was marked "to follow" and was published on 7 December 2020.

5. **Shared Service: (unaudited) annual statement of accounts 2019/20** (Pages 14 - 28)

Report was marked "to follow" and was published on 7 December 2020.

6. **Date of Next Meeting**

To be discussed.

7. **Exclusion of Press and Public**

To consider passing the following resolution:

"That the public be excluded from this meeting during consideration of the following item(s) of business on the grounds that there is likely to be a disclosure of exempt information which is described in paragraph 3 of Schedule 12A to the Local Government Act 1972, and that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing it."

8. **Shared Service: Budget 2021/22 (revenues and benefits)** (Pages 29 - 36)

Report was marked "to follow" and was published on 7 December 2020.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors E Lewis and A Whitehead, Lancaster City Council
Councillor M Brown and M Rawlinson, Preston City Council

(ii) Queries regarding this Agenda

Please contact Debbie Chambers Head of Democratic Services
dchambers@lancaster.gov.uk.

(iii) Changes to Membership, substitutions or apologies

Please contact Democratic Support, telephone 582170, or alternatively email
democraticsupport@lancaster.gov.uk.

KIERAN KEANE,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
LANCASTER, LA1 1PJ

Published on Friday 4 December 2020.

Shared Revenue and Benefits Service Joint Committee
18 December 2019

Present:	Councillor Rawlinson	– Chair, Cabinet Member for Resources and Performance – Preston City Council
	Councillor M Brown	– Leader, Preston City Council
	Councillor A Whitehead	– Cabinet Member for Finance and Resources, Lancaster City Council
	Councillor K Frea	– Lancaster City Council (Substitute)

Also in attendance:

Mr A Robinson	– Head of Shared Service/Deputy Director
Mr P Thompson	– Head of Financial Services and S151 Officer
Ms J Wilding	– City Treasurer
Mrs H Johnston	– Benefits Manager
Ms H Phillips	– Senior Accountant
Mr Z Bapu	– Senior Member Services Officer

Apologies: Councillor E Lewis

SRB10 Chair's Announcements

None.

SRB11 Notification of Substitute Members (if any)

Resolved – That it be noted Councillor Frea was in attendance in substitution for Councillor Lewis.

SRB12 Declarations of Interests

There were none.

SRB13 Minutes

Resolved – That the minutes of a meeting of the Shared Revenues and Benefits Services Joint Committee, held on 25 July 2019, be noted and signed as a correct record.

SRB14 Date of Next Meeting

July date for the next meeting to be arranged.

SRB15 Exclusion of the Press and Public

Resolved - "That the public be excluded from this meeting during consideration of the following items of business on the grounds that there is likely to be disclosure of exempt information which is described in the paragraphs of Schedule 12A to the Local Government Act 1972 which are specified against the heading to each item, and that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing it."

**SRB16 Shared Service Budget 2020/21 - (Revenues and Benefits)
(Paragraph 3)**

The Deputy Director of Customer Services (Head of Revenues and Benefits Shared Service) presented a report on the Shared Service Agreement between Lancaster City Council and Preston City Council which requires that the Joint Committee approve the annual revenue, capital and staff budgets in respect of the Revenues and Benefits functions. The Joint Committee shall then inform the two Councils of the amounts of their proposed contributions to the Joint Committee's budget.

Resolved – That the Joint Committee

(i) noted the latest budget monitoring for the Shared Service as detailed in Appendix A of the report;

(ii) approved the budget for 2020/21 for the Shared Service as detailed in Appendix B of the report; and

(iii) delegated to the S151 Officers of each Council (by agreement), to determine the cost sharing ratio for contributions to and from the overall Shared Service budget.

**Any queries regarding these Minutes, please contact
Julie Thorpe, Head of Member Services, Preston City Council**

Report to Joint Committee Meeting to be held on 14th December 2020	Electoral Ward Affected ALL
Report submitted by: Director of Corporate Services (Preston City Council)	
SHARED SERVICE – ANNUAL GOVERNANCE STATEMENT 2019/20 (‘Appendix A’ refers)	

1. Summary

- 1.1 This report requests that the Shared Revenue and Benefits Service Joint Committee considers and approves the Annual Governance Statement for 2019/20. The Annual Governance Statement is set out in **Appendix A** to this report.

2. Decision Required

- 2.1 The Joint Committee is requested to:

- (i) Approve the Annual Governance Statement for 2019/20, as set out in **Appendix A** to this report.

3. Information

- 3.1 The Shared Revenue and Benefits Service Joint Committee (“Joint Committee”) serving both Councils (Lancaster and Preston), operates under a Local Code of Governance via the host authority (Preston), which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government Framework “the Framework”.
- 3.2 In line with good practice and CIPFA principles in relation to the effectiveness of internal control at each authority, it is considered appropriate for the Joint Committee to approve an Annual Governance Statement for 2019/20, to accompany the (unaudited) Annual Statement of Accounts 2019/20.
- 3.3 The Framework offers guidance that a Governance Statement should cover all the significant corporate systems, processes and controls, spanning the whole range of the authorities activities, including in particular those designed to ensure that:
- The Partner Authorities have maintained an adequate system of internal control
 - Measures are in place to prevent and detect fraud and corruption
 - The authorities policies are implemented in practice
 - High quality services are delivered efficiently and effectively
 - The authorities values and ethical standards are met
 - Laws and regulations are complied with
 - Required processes are adhered to

- Financial statements and other published performance indicators are accurate and reliable
- Human, financial, environmental and other resources are managed efficiently and effectively

- 3.4 In reviewing the internal controls and subsequently approving the Annual Governance Statement for 2019/20, the Joint Committee will require assurances on the effectiveness of the governance framework and how this addresses the key risks faced by the partner authorities.
- 3.5 In order to provide that assurance, the Annual Governance Statement for 2019/20 has been produced taking into account the guidance and best practice contained within the Framework, and is set out in **Appendix A** to this report.
- 3.6 A summary table documenting recent housing benefit subsidy and internal audit work undertaken in relation to the Shared Service is provided in **Appendix B** as further assurance. Audit work in relation to the Shared Service was restricted during 2019/20 due to limited audit resources and more recently work has been significantly impacted given the Covid-19 pandemic with resources switched to priority areas.
- 3.7 An extract of the Risk Log is provided in **Appendix C** as further assurance, detailing mitigation in relation to the two main risks that would have a significant impact for the Shared Service.

4. Implications

- 4.1 Financial planning and management is a key component of effective corporate governance. All financial implications are reflected in the (Unaudited) Annual Statement of Accounts 2019/20 that is also on the agenda for consideration by the Joint Committee.
- 4.2 Ensuring staff are adequately trained and professionally competent is key to meeting the core needs of the CIPFA/SOLACE guidance.
- 4.3 Risk is intrinsic to the system of internal audit and governance and mitigation of those risks are covered within the Business Plan 2019 -21.

5. Impact Statement

- 5.1 Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. It enables the authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk. The Annual Governance Statement for 2019/20 provides the citizens and service users with evidence of the effectiveness of the governance arrangements for the Revenues and Benefits Shared Service.

**REVENUES & BENEFITS SHARED SERVICE
ANNUAL GOVERNANCE STATEMENT
2019/20**

1. Scope of Responsibility

1.1 The role of the Shared Revenues and Benefits Service Joint Committee (“the Joint Committee”) (under S101(5) and S102 of the Local Government Act 1972 and S20 of the Local Government Act 2000 and all other enabling powers) is to discharge the functions delegated to it by the Executives of Preston City and Lancaster City Councils, as specified in the Shared Revenues and Benefits Service Agreement (“the Agreement”). The Terms of Reference of the Joint Committee require;

- That those delegated functions relating to Revenues and Benefits are delivered through the Joint Committee within the budget and to agreed standards;
- That Preston City Council and Lancaster City Council remain fully informed and engaged

To this end the Joint Committee requires robust reporting and performance management arrangements in place that meet the requirements of each partner authority.

1.2 The “Delivering Good Governance in Local Government Framework” is designed for local authorities and other public bodies which engage directly with the community. The Joint Committee’s lines of communication and accountability are different, but the principles of the Framework apply. To this extent, the Joint Committee is responsible, jointly with the partner authorities, for ensuring that there are sound systems of internal control in place to facilitate the effective exercise of their functions. These include arrangements for the management of risks and for maintaining high standards of corporate governance.

2. The Purpose of the Governance Framework

2.1 The governance framework outlines the systems, processes, culture and values by which the Joint Committee is directed and controlled, to ensure a quality, cost effective service is delivered to each partner authority.

2.2 The Joint Committee is not a free standing body in its own right. Appropriate arrangements for the good governance of its affairs must therefore be made, drawing upon the established good governance practices at both Councils.

3. The Governance Environment

3.1 As employees of Preston City Council, officers within the partnership are subject to the governance processes that are in operation at Preston City Council.

3.2 Reference should be made to the respective financial statements of each partner authority for full details of their corporate governance arrangements.

3.3 The following paragraphs describe the key elements of the systems, processes, and performance management arrangements which are in place and which constitute the system of governance which is specific to the Joint Committee.

4. The Shared Revenues and Benefits Service Agreement

- 4.1 The Agreement sets out the basis for the Shared Service and its operation. It sets out the standard and quality of services to be provided.
- 4.2 The Agreement provides that the Joint Committee be made up of two Executive Members from each partner authority. The Joint Committee meets at least two times in a municipal year and holds its Annual General Meeting every year before 31 July.
- 4.3 Advice is given to the Joint Committee by the S151 Officers at both Lancaster City Council and Preston City Council. The Director of Resources at Preston City Council is considered the Secretary to the Joint Committee.
- 4.4 The Head of Shared Service provides performance monitoring reports to the Joint Committee upon request. Furthermore, the Head of Shared Service and the Section 151 Officer at Preston City Council present reports at each annual meeting of the Joint Committee providing the following details;
- A statement showing key service objectives in the new business plan;
 - A summary of the revenue account and a statement of capital spending. This includes the distribution or use of any revenue surpluses and the financing of any capital expenditure; and in the event of a deficit, a statement of the corrective action taken or to be taken;
 - As and when required by the Chief Executive or the Section 151 Officer of each partner authority the Joint Committee shall produce such other reports as may reasonably be required.
- 4.5 A key requirement of the partnership is that it meets the key reporting timetables for each Council to ensure that it complies with all internal, external and statutory requirements.

5. Business Improvement Planning

- 5.1 The Shared Revenues and Benefits Service Agreement is supplemented by a Shared Service Business Plan (“SSBP”) which sets out the specific projects and performance targets which need to be delivered in the forthcoming year.
- 5.2 In addition to the regular Joint Committee meetings the Head of the Shared Service reports periodically to the Section 151 Officer of each partner authority.

6. Risk Management

- 6.1 The risks associated with the successful delivery of the Shared Service are recorded in a Risk Log within the SSBP. The key risks facing the Shared Service at this stage of its development are;
- ICT and other associated systems:
Major disruption to IT systems and availability of resources
 - Covid-19:
Inability to meet statutory requirements and to meet customer expectations in relation to Revenues & Benefits.
- 6.2 The Risk Register has been reviewed as part of the process of compiling the SSBP and the Plan contains a range of actions aimed at mitigating these risks.

7. Workforce Planning

- 7.1 One of the key actions in setting up the Shared Service in 2011 was the implementation of a Workforce Strategy, following staff consultation, which
- sets out the core purpose, values and guiding principles for the partnership, in line with those of each partner authority, and
 - identifies and addresses any staff development needs.
- 7.2 Workforce planning has helped to deliver quality and cost effective services. The majority of the Shared Service improvements have been achieved because the right people with the right knowledge, skills and behaviours are deployed in the right positions throughout the structure. This philosophy continues to date.
- 7.3 At times of change, consultation takes place with frontline staff. They are fully involved and understand their role in the process, which provides re-assurance and commitment.
- 7.4 Long term workforce planning provides the opportunity to link training and development needs with future skill requirements. Strategies can then be devised to meet these needs. eg. Universal Credit

8. Scrutiny & Audit

- 8.1 Accounts relating to the Shared Service are open to inspection by the Joint Committee and each partner authority. A key role of the Joint Committee is to ensure that effective external audit arrangements are in place and that each Council is able to carry out a meaningful scrutiny of its performance.
- 8.2 The internal audit service is delivered by an in-house team operating to professional standards as set out in the Public Sector Internal Audit Standards. Internal audit for the Shared Service is predominantly provided by the Lancaster City Council Internal Audit service, although the Preston team provides assistance when required. Where appropriate, reports are issued separately to the Audit Committees of each partner authority.
- 8.3 For the 2019/20 financial year, audit work in relation to the Shared Service was restricted due to limited resources, and more recently in 2020/21 severely impacted as a result of the Covid-19 pandemic with both audit and shared service resources switched to priority areas. However, previous audits provide positive assurance statements regarding the systems, policies and procedures operated by the Shared Service, without any significant control issues or failures having been identified. Latest assurance and audit statements can be found in **Appendix B**.
- 8.4 The two Councils work to different assurance scales:
- | | |
|------------|---|
| Preston: | Full; Substantial; Reasonable; Limited; Minimal |
| Lancaster: | Maximum; Substantial; Limited; Minimal |

9. Review of Effectiveness

- 9.1 The Joint Committee has a responsibility to review the effectiveness of its governance arrangements and to demonstrate continuous improvement. This is informed by the work of Members and the partnership's Senior Management Team. Additional assurance is provided by support services, the internal audit service and by any work of external audit.

- 9.2 The Business Plan contains performance data to show performance against agreed targets together with draft financial statements. Any service issues will be outlined for Members' consideration.
- 9.3 Officers strive for continuous improvement and review lessons learned from previous financial years.

Signatures

Chair of the Shared Services Joint Committee: _____

S151 Officers of the Partner local authorities: _____ (Lancaster)

_____ (Preston)

December 2020

**Revenues & Benefits Shared Service
Subsidy Assurance & Internal Audit Reports Issued 2019/20:**

Note: The two Councils work to different assurance scales:

Internal Audit: Preston: Full; Substantial; Reasonable; Limited; Minimal
Lancaster: Maximum; Substantial; Limited; Minimal

DWP Subsidy: Preston / Lancaster "Certified" in relation to approved subsidy claim

Job No	JOB_TITLE	Report Date	Assurance Opinion	Assurance Opinion Text
BENEFITS:				
2018/19	DWP Subsidy Audit (Lancaster)	12/12/19	Certified	Following receipt of the 2018/19 claim: DWP confirmed that there were no financial implications resulting from a minor issue identified, and the HB Subsidy Claim was certified with no qualification.
	(Preston)	29/11/19	Certified	DWP confirmed no issues identified, claim was certified with no qualification.
COUNCIL TAX:				
	Council Tax – Occupation Validations (Lancaster) (Preston)	19/09/2019	Substantial	There are no major issues or areas of concern to report. Most occupancy changes were appropriately supported, information either being available on the current/previous occupants property reference or account reference. The on-line change of address form provides a consistent and clear record to support changes in occupancy and appears to work well. Actions have been agreed to address minor issues.

**EXTRACT OF SHARED SERVICE RISK LOG 2019/20
REVENUES & BENEFITS**

	Risk Description	Likelihood	Impact	Mitigation
1.	ICT & Systems - Major disruption to IT systems	Low	Critical	<ul style="list-style-type: none"> • Maintenance contracts in place with demanding service levels. • Procurement of improved new connection between the two Councils • Business continuity plans developed and tested. Resources available for home working arrangements. • PRINCE2 accredited ICT project managers. • Regular updates and de-briefs between project leaders, the project manager and heads of service. • Dedicated Account Managers for high profile systems. • Capita Remote Support for Academy Systems. • Disaster Recovery testing carried out
2.	Covid-19 – Inability to meet statutory requirements and to meet customer expectations in relation to Revenues & Benefits.	Medium	Significant	<ul style="list-style-type: none"> • Robust policies in place to meet the needs of the Community and public information provided • Regular budget management of grant allocation • Continuously review staffing structure to ensure it remains fit for purpose. • Home working plans in place, adequately resourced • Contingency plans in place to enable input of additional resources from either site to minimise risk • Transfer of staff to priority tasks • Review recovery policy and set realistic performance targets in relation to collection • Partnership working with internal and external organisations and keep members onboard and informed • Overview by S151 Officers, Members, Joint Committee

Report to Joint Committee Meeting to be held on 14th December 2020	Electoral Ward Affected All
Report submitted by : Director of Resources (Preston City Council)	
Portfolio Holder : Cabinet Member for Resources and Performance (Preston City Council)	
SHARED SERVICE (UNAUDITED) ANNUAL STATEMENT OF ACCOUNTS 2019/20	

1. Summary

- 1.1 The Host Authority’s Section 151 Officer is responsible for the preparation of the Revenues and Benefits Shared Services Statement of Accounts which provide a true and fair view of the financial position of the Shared Service at the accounting date and its income and expenditure for the year ended 31 March 2020.
- 1.2 The Partnership prepared its Annual Accounts and supporting financial statements in accordance with applicable laws and regulations and in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2019/20.

2. Decision Required

- 2.1 To approve the unaudited Revenues and Benefits Statement of Accounts for 2019/20 as set out in Appendix A.

3. Revenues and Benefits Statement of Accounts Information

- 3.1 The accounts have been prepared by Preston City Council as the Host Authority.
- 3.2 These accounts will be summarised as part of the 2019/20 main Statutory Accounts of both Councils.
- 3.3 The Accounts present all of the income received and expenditure incurred by the Shared Service between 1st April 2019 and 31st March 2020. The costs, as pre agreed by the Joint Committee, are split 50/50 between Preston City Council and Lancaster City Council.
- 3.4 The Comprehensive Income and Expenditure Statement states that the Shared Service income and expenditure net off to zero.

4. External Audit

- 4.1 The Shared Service statement of accounts does not require auditing as the income / expenditure is subsumed within each Partner Authority’s main statement of accounts which are subject to external audit.
- 4.2 The accounts as presented by this report are unaudited.

Background Documents:

Background documents open to inspection in accordance with Section 100D of the Local Government Act 1972:

Paper	Date	Contact/Directorate/Ext
Statement of Accounts 2019/20	14 th December 2020	Preston City Council, Section 151 Officer

Contact for further information:

Hazel Phillips	01772 906486	Senior Accountant
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REVENUES & BENEFITS SHARED SERVICE

STATEMENT OF ACCOUNTS 2019/20

**LANCASTER CITY COUNCIL
PRESTON CITY COUNCIL**

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Narrative Report

1. Introduction

The purpose of the Revenues and Benefits Shared Service is to provide for the efficient and effective collection of Local Taxation and the administration of Housing Benefit and Council Tax Support for both Preston City Council and Lancaster City Council under a Joint Committee.

The service commenced on the 1st July 2011 and is based in both Preston and Lancaster with Preston City Council being the Host Council.

The Revenues and Benefits service plays a very important part in the delivery of front line services and the collection of local taxes. It is very much part of the front line customer service provision and yet has strong links throughout each Council to key support functions such as finance, legal services, ICT and others. External partnership working with the Department for Work and Pensions and Citizens Advice Bureau, as well as external verification and auditing, make these services regulatory in nature.

2. Financial Performance of the Shared Service 2019/20

a. Revenue Budget

The outturn for the 2019/20 financial year and comparison to budget are set out below:

	Latest Budget £'000	Actual £'000	Variance £'000	
Service Expenditure				
Management	162	151	(11)	(F)
Business Rates	542	554	12	(A)
Council Tax	984	984	-	(F)
Operations	316	327	11	(A)
Housing Benefits	1,683	1,654	(29)	(F)
Service Expenditure Total	3,687	3,670	(17)	(F)
Income				
Preston City Council	(1,843)	(1,835)	8	(A)
Lancaster City Council	(1,844)	(1,835)	9	(A)
Income Total	(3,687)	(3,670)	17	(A)
Total	0	0	0	

Notes:

(F) - Favourable Variance
(A) - Adverse Variance

The actual Shared Service expenditure for 2019/20 was £3,670k.

The Joint Committee approved a Shared Service expenditure budget for 2019/20 of £3,628k in December 2018. This has since been adjusted during the year for:

- Essential upgrades to IT systems due to legislation changes, funded by a Department for Work and Pensions grant (£24k).

- Further funding has been received from the Department for Work and Pensions for Local Authority Data Sharing. This has increased budgets by £21k and incurred matching costs for ICT projects.
- Savings due to vacant posts (-£60k) and underspends on printing costs (-£20k).
- Recruitment of four temporary Benefits Officer posts for two years, funded from the draw down of grant income (£94k).

The final 2019/20 expenditure budget was £3,687k.

Both Councils agreed that actual costs associated with the Shared Service, including variances between budget and outturn, would be shared equally.

All external grant income received from both Councils, transferred to the Shared Service, has been allocated as part of the financing of the Shared Service.

During 2019/20 both Councils paid an equal amount into the Shared Service of £1,835k.

The Shared Service overspent its original budget for 2019/20 of £3,628k by £42k. The latest budget of £3,687k was underspent by £17k largely due to vacant posts in the Housing Benefits team.

b. Expenditure Split by Council

	£'000
Preston City Council	3,639
Lancaster City Council	<u>31</u>
	<u>3,670</u>

Preston City Council's expenditure was significantly higher than Lancaster City Council's because, as the Host Council, it employs the Revenues and Benefits staff.

Central overheads are absorbed by the Councils that incur them and are not recharged into the Shared Service.

c. Capital Expenditure

The Shared Service does not own any assets and did not incur any capital expenditure during 2019/20.

d. Retirement Benefits

All employees employed in the provision of the Shared Service are employees of Preston City Council and as such are part of the Local Pensions Partnership (LPP), which is a defined benefit scheme. More detail is provided in the Statements of Accounting Policies and in the notes to the Core Financial Statements of Preston City Council.

e. Accounting for the Partnership

All transactions of the Shared Service are accounted for within the accounts of one of the partner Councils. The information within these Shared Service Statement of Accounts has been extracted from the partner's financial records.

The partnership is classed as a Jointly Controlled Operation between Preston City Council and Lancaster City Council.

3. Explanation of the Financial Statements

The Shared Service Statement of Accounts sets out the Shared Service's income and expenditure for the year, and its financial position at 31 March. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and comprises core and supplementary statements.

a. The Core Financial Statements:

- **Income and Expenditure Statement:** this statement shows the accounting cost in the year of providing services in accordance with general accounting practices rather than actual cost of services funded through taxation.
- **Movement in Reserves Statement:** this statement shows a summarised view of the movement in year on the different reserves held by the Shared Service.
- **Balance Sheet:** this sets out the Shared Service's assets and liabilities as at 31st March and how these are funded.
- **Cash Flow Statement:** summarises the inflows and outflows of cash arising from transactions with third parties.
- **Notes to the Core Financial Statements:** assist in the interpretation of the Accounts by summarising significant accounting policies and other explanatory information.

b. The Supplementary Financial Statements:

- **Statement of Responsibilities for the Statement of Accounts:** identifies the officers who are responsible for the proper administration of the Shared Service's financial affairs.
- **Annual Governance Statement:** gives assurance on the effectiveness of the Shared Service's Governance arrangements including its monitoring and evaluation of its code of governance and highlighting any planned changes in the coming period. This statement is included as a separate report to the Joint Committee.
- **Glossary:** an explanation of some of the key technical terms used in these Statement of Accounts.

4. Conclusion

In conclusion, the Shared Service has a proactive approach to financial forecasting and budget management with extensive systems and procedures in place. In 2019/20 the Shared Service has in overall terms achieved its financial targets and aspirations and has worked successfully within reduced budgets to deliver services.

5. Access to further information

If you would like to receive further information about the Statement of Accounts please contact Accountancy Services at Preston Town Hall, Lancaster Road, Preston, PR1 2RL.

Jackie Wilding
Director of Resources
(Section 151 Officer)

Statement of Responsibilities for the Statement of Accounts

The Partnership's Responsibilities

The Partnership 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 these Councils, that officer is the Chief Financial Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

The Chief Financial Officer's Responsibilities.

The Director of Resources and Chief Finance Officer are responsible for the preparation of the Partnership's Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance & Accountancy) 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Resources and Chief Finance Officer have:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice on Local Authority Accounting (the Code)
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Financial Officer's Certification

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Partnership at the reporting date and of its expenditure and income for the year ended 31 March 2020.

Signed

Chair of the Joint Committee

J. Wilding
Director of Resources
Preston City Council
Host Council

P. Thompson
Chief Finance Officer
Lancaster City Council

Date

Core Financial Statements

Introduction to the Core Financial Statements

The Statement of Accounts contain a number of different elements which are explained below:

Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

Movement in Reserves Statement

This statement is intended to show the movement from the start of the year to the end on the different reserves held by the Shared Service. As the Shared Service does not have reserves, this statement does not apply.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Shared Service. The net assets (assets less liabilities) are matched by the reserves held by the Shared Service.

The Shared Service has nil net assets and nil reserves.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Shared Service during the reporting period. The statement shows how the Shared Service generates and uses cash and cash equivalents.

Income and Expenditure Account

2018/19 £'000		2019/20 £'000
	Service Expenditure	
166	Management	151
547	Business Rates	554
949	Council Tax	984
300	Operations	327
1,606	Housing Benefits	1,654
<u>3,568</u>	Net Operating Expenditure	<u>3,670</u>
	Service Income	
1,784	Lancaster City Council	1,835
1,784	Preston City Council	1,835
<u>3,568</u>	Total Sources of Finance	<u>3,670</u>
<u>-</u>	Surplus/Deficit for the year	<u>-</u>

Balance Sheet

As at 31st March 2019 £'000		Note	As at 31st March 2020 £'000
74	Debtors		246
-	Cash		(84)
<u>74</u>	Total Current Assets		<u>162</u>
74	Creditors	5	162
<u>74</u>	Total Current Liabilities		<u>162</u>
<u>-</u>	Net Assets		<u>-</u>

Cash Flow Statement

2018/19 £'000		2019/20 £'000
<u>-</u>	Surplus/deficit for the year	<u>-</u>
10	(Increase)/decrease in debtors	(172)
(5)	Increase/(decrease) in creditors	88
<u>5</u>	Net cash inflow/(outflow) from operating activities	<u>(84)</u>
<u>5</u>	Net increase/(decrease) in cash	<u>(84)</u>

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Shared Service's transactions for the 2019/20 financial year and its position at 31 March 2020. The accounts are prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost.

ii. Accruals of Income and Expenditure

The financial statements have been prepared on an accruals basis for all transactions and balances. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the provision of services is recognised when the Shared Service 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 the Shared Service.
- 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.

iii. Employee Benefits

a. Short-term Employee Benefits

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 and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Shared Service.

b. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Shared Service 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 service lines in the Comprehensive Income and Expenditure Statement.

c. Retirement Benefits

Employees of the Shared Service are employed by Preston City Council and contribute at the Preston City Council rate into the Local Pensions Partnership (LPP). The scheme provides defined benefits to members, earned as employees work for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the scheme attributable to the Shared Service are included on Preston City Council's balance sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement

benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their value at current prices, using a real discount rate determined by reference to market yields.

- The assets of the pension fund attributable to the Shared Service are included in Preston City Council's Balance Sheet at their fair value.

It is impossible to determine the Shared Service's share of assets and liabilities of the Local Pensions Partnership as distinct from those of Preston City Council's. Additionally, the Shared Service is not responsible for a major service and the public expenditure consequences of the Shared Service's operations are relatively insubstantial. The Shared Service is therefore exempt from accounting for a defined benefit scheme and the Notes to the Core Financial Statements have been prepared using the principle that would be applied to defined contribution schemes i.e. recognising the contributions payable for the year and not accruing any underlying pension asset/liability.

iv. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and adverse, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue which may have a bearing upon the financial results of the past year. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. There are no post balance sheet events.

v. Provisions

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

The Shared Service currently has no provisions.

vi. Reserves

The Councils set aside specific amounts as reserves for future policy purposes or to cover contingencies. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year.

The Shared Service has no reserves, however both Preston City Council and Lancaster City Council hold reserves for use by the Shared Service when appropriate expenditure is incurred.

vii. Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

The Shared Service relies on the VAT registrations of the two partner Councils and submits its claims via these. In addition to this Preston City Council has HMRC approval to account for VAT in respect of the Shared Service under the VAT registration of Preston City Council.

viii. Government Grants and Contributions

Government grants and third party contributions and donations are recognised as due to the Shared Service when there is reasonable assurance that the Shared Service will comply with the conditions attached to the payments, and the grants or contributions will be received.

Amounts recognised as due to the Shared Service are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Government grants are held by the receiving Council (both Preston City Council and Lancaster City Council) on behalf of the Shared Service until the conditions are met.

ix. Central Support Service Overheads

Central overheads are absorbed by the Councils that incur them and are not recharged into the Shared Service.

x. Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Shared Service. Creditors are the Shared Service's only financial liabilities. These are disclosed on the Balance Sheet at amortised cost.

xi. Financial Assets

A financial asset is a right to future economic benefits controlled by the Shared Service. Debtors are the only financial assets and are included in the Balance Sheet at amortised cost.

2. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources. It shows how this expenditure is allocated for decision making purposes between the Shared Service's departments.

As the Shared Service contains a single segment (providing Revenues and Benefits Services), this statement does not apply.

3. Income and Expenses for Constituent Councils

The costs of Shared Services are split equally between Preston and Lancaster City Councils.

Support service charges from the two Councils are absorbed in each Council's own accounts and are not recharged into the Shared Service.

The IAS 19 pension adjustments are absorbed in Preston City Council's accounts.

4. Cash and Cash Equivalents

The Shared Service does not have its own bank accounts or borrowing facilities. As the Host Council, Preston City Council receives all receipts and makes the majority of payments on behalf of the Shared Service.

The cash position is a notional one and reflects the timing of invoice receipts/payments rather than cash assets.

5. Creditors

At the year end £162,422 was accrued for transactions that relate to 2019/20.

6. Officer Remuneration

One Senior Officer received remuneration, excluding employer's pension contribution, of between £50,000 and £150,000 per year.

Post Title	Salary (including Fees & Allowances) £'000	Pension Contributions £'000	Total Remuneration including Pension Contributions 2019/20 £'000
Head of Shared Service & Deputy Director Customer Services	71	11	82

7. Related Party Transactions

The Shared Service has the following related parties:

Preston and Lancaster City Councils	- Partner Authorities
Central Government	- Provider of Grant Funding
Fylde Borough Council	- Revenue Advice

8. Ultimate Controlling Partner

Neither of the partners has ultimate control of the Shared Service.

9. External Audit Fees

There are no external audit fees as the Shared Service Statement of Accounts does not require external auditing. The income and expenditure are subsumed within each Partner Authority's main Statement of Accounts which are subject to external audit.

10. Leases

The Shared Service has not entered into any leasing arrangements.

11. Date Accounts Authorised for Issue

The Statement of Accounts includes any necessary disclosures in respect of events after the Balance Sheet date up to 12th August 2020.

Glossary

Accounting Policies

The rules and practices adopted that determine how transactions and other events are reflected in financial statements.

Accruals

The concept is that income is recorded when it is earned rather than when it is received and expenses are recorded when goods or services are received rather than when the payment is made.

Budget

A statement of the Shared Service's spending plans for revenue over a specified period of time.

Creditors

Amounts owed by the Shared Service for work done, services rendered or goods received for which payment has not been made by the Balance Sheet date.

Debtors

Amounts owed to the Shared Service for work carried out, services rendered or goods provided by the Shared Service for which income has not been received by the Balance Sheet date.

Housing Benefits

This is financial help to persons on low income to meet, in whole or part, their rent. Benefit is paid by Local Councils but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Councils.

International Financial Reporting Standards (IFRS)

Defined Accounting Standards that must be applied by all reporting organisations to their financial statements, in order to provide a true and fair view of the organisation's financial position, and enable a direct comparison with financial statements of other organisations.

Materiality

The concept that any omission from or inaccuracy in the Statement of Accounts should not be so large as to affect the understanding of those statements by the reader.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted