



Date: 21 May 2012
Your reference :
Our reference : LAS/JG/LT
Ask for : Julie Grundy

Member Services
Governance Directorate
Town Hall
Lancaster Road
Preston PR1 2RL

www.preston.gov.uk
tel. 01772 906112
fax. 01772 906126
j.grundy@preston.gov.uk

**To: Members and Officers of
the Shared Revenue and Benefits Service Joint Committee**

Councillors Rankin, Rawlinson, Blamire and Bryning

Dear Sir/Madam

Shared Revenue and Benefits Service Joint Committee - 25 May 2012

I am now able to enclose, for consideration at the above meeting, the following reports which were unavailable when the agenda was printed.

Agenda No Item

- 5. Annual Statement of Accounts 2011/12 (Pages 1 - 18)**
Report enclosed.

- 8. Business Plan 2012-15 (Paragraphs 1 and 3) (Pages 19 - 48)**
Report enclosed.

Yours faithfully

Angela Harrison

Governance Director

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Report to Joint Committee Meeting to be held on 25th May 2012	Electoral Ward Affected All
Report submitted by : Section 151 Officer - Preston City Council	
SHARED SERVICE (UNAUDITED) ANNUAL STATEMENT OF ACCOUNTS 2011/12	

1. Summary

- 1.1 The Host Authorities Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA (Chartered Institute of Public Finance & Accountancy/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) the Code of Practice on Local Authority Accounting in United Kingdom (the Code), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2012.
- 1.2 This Partnership prepared its statutory Annual Accounts and supporting financial statements in accordance with applicable laws and regulations and in line with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in United Kingdom 2011/12 (The Code).

2. Decision Required

- 2.1 None
- 2.2 To note the unaudited Statement of Accounts for 2011/12 as set out in Appendix A.

3. 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 2011/12 main Statutory Accounts of both councils. The Accounts and Audit Regulations require the Partnerships responsible financial officers (Section 151 Officers) to certify that the Statement of Accounts "present a true and fair view of the financial position" for the 2011/12 financial year by 30th June 2012. The Joint Committee Chair is also required to sign off the accounts. A paper copy to sign will be available at the meeting.
- 3.3 The Accounts represent all of the income and expenditure occurred by the Shared Service since its inception on 1st July 2011 to 31st March 2012. The expenditure as pre agreed by the Joint Committee is split 50/50 between Preston City Council and Lancaster City Council.

- 3.4 In-line with International Financial Reporting Standards (IFRS) there is a requirement that grants are accounted for in the year they are received. The Shared Service has received grant funding from Preston and Lancaster City Councils in 2011/12 of £49k for Housing Benefits Transition.
- 3.5 The Comprehensive Income and Expenditure Statement states a surplus for the year of £49k, however this surplus relates to the Housing Benefits Transitional Grant reported in 3.4 above. This has been transferred to an earmark reserve.

4. External Audit

- 4.1 These accounts, which will form part of the main statutory annual accounts, are subject to an external audit, which as Preston is the Host Authority, will be carried out by the Audit Commission (Preston's external auditors). This will be completed by September 2012.
- 4.3 One of the duties of External Audit is to examine the form and regularity of the accounts, the main purpose being to ensure they are not materially mis-stated.
- 4.4 If there are any issues arising as part of the audit these accounts will be re-presented to the Joint Committee.
- 4.5 The accounts as presented by this report are unaudited.

5. Conclusion

- 5.1 The deadline for the internal production for the partnerships unaudited Statement of Accounts for 2011/12 has been achieved.

6. Impact Statement

- 6.1 The annual Statement of Accounts are a statutory requirement and must comply fully with the Code of Practice on Local Authority Accounting in United Kingdom 2011/12 (The Code).

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 2011/12	25 th May 2012	Preston City Council, Section 151 Officer

Contact for further information:

Stephen Cox	01772 906053	Principle Accountant
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APPENDIX 1

REVENUES & BENEFITS SHARED SERVICE

STATEMENT OF ACCOUNTS 2011/12

**LANCASTER CITY COUNCIL
PRESTON CITY COUNCIL**

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Unaudited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRESTON CITY COUNCIL

Unaudited

Explanatory Foreword

1. Explanation of the Financial Statements

The Shared Service Statement of Accounts shows the overall financial position of the Revenues and Benefits Shared Service run by the Joint Committee on behalf of Preston and Lancaster City Councils at the 31st March 2012. This foreword provides a summary of the key matters reported in the Accounts. The Accounts comprise of the following statements that have been prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2010/11:

- **Statement of Responsibilities:** sets out the respective responsibilities of the Authority and the Section 151 Officers for the accounts.
- **Statement of Accounting Policies:** explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts.
- **Income and Expenditure Statement:** brings together expenditure and income relating to all the Partnership's functions.
- **Movement in Reserves Statement:** a reconciliation statement that summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.
- **Statement of Total Recognised Gains and Losses:** demonstrates how the movement in the net worth in the Balance Sheet reconciles to the Income and Expenditure Account deficit/surplus.
- **Balance Sheet:** sets out the financial position of the Shared Service at 31st March 2012.
- **Cash Flow Statement:** summarises the inflows and outflows of cash arising from transactions with third parties.

Each of the statements is inextricably linked and whilst individually important must be seen collectively to ensure they are looked at in context. Set out below is some interpretation of the accounts and information about the financial position of the Shared Service.

2. 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 and Council Tax Benefit for both Preston City Council and Lancaster City Council under a Joint Committee.

These services are based in both Preston and Lancaster with Preston City Council being the host authority.

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 authority 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.

3. Accounting for the Partnership

All transactions of the Partnership are accounted for within the accounts of one of the partner authorities. The information within these statements has been extracted from the partners financial records.

4. Revenue Budget

The outturn for the 2011/12 financial year and comparison to budget are set out below:

	Latest Budget £'000	Actual £'000	Variance £'000
Expenditure			
Management	99	98	1
Business Rates	239	231	8
Council Tax	755	769	-14
Operations	480	471	9
Housing Benefits	1,819	1,781	38
Expenditure Total	3,392	3,350	42
Income			
Fylde Borough Council		-74	
Preston City Council		-1,638	
Lancaster City Council		-1,638	
Income Total		-3,350	
Total		-	

The Shared Service budget for 2011/12 once adjusted mainly for Voluntary Redundancy costs and Grant costs was £3,392k.

Housing Benefits Transitional Grants totalling £49k were received in March 2012. The grant has been removed from this analysis (to highlight the matching funding received from both Councils) and placed in reserve as it will be fully committed in 2012/13.

Expenditure by Council	£'000
Preston City Council	3,287
Lancaster City Council	63
	3,350

Preston City Councils expenditure is significantly higher than Lancaster City Councils because as the Host Authority it employs all the Revenues and Benefits staff.

The Shared Service has achieved an underspend against the budget of £42k. This underspend was mainly due to:

Variance £'000	
37 (F)	underspend on staff costs (in addition to vacancy savings)
35 (F)	underspend on ICT charges
25 (F)	underspend on grant expenditure
-64 (A)	overspend of on print and postage
9 (A)	other minor
<u>42</u>	

Of the £42k of underspend, £10k is due to the print and post project which is fully committed and required to complete the project in 2012/13.

Both Councils have agreed that direct costs associated with the service should be shared equally (after the adjustment for Fylde income) between the two authorities until at least 2013/14, unless there are any other factors arising that may require an earlier review to this approach. Where variances arise between budget and outturn, these would also be shared equally.

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

5. Capital Expenditure

The Shared Service does not own any assets and did not incur any capital expenditure during 2011/12.

6. 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 Government Pensions Scheme (LGPS), 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 both Councils.

7. Further Information

Further information about the accounts is available from:

B. P. Hayes, CPFA
Section 151 Officer
Preston City Council

Unaudited

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 secure that one of its officers has the responsibility for the administration of those affairs.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets

The Chief Financial Officer's Responsibilities

The Section 151 Officer of the Host Authority is responsible for the preparation of the Partnership's Statement of Accounts which, in terms of the CIPFA (Chartered Institute of Public Finance & Accountancy)/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), is required to present a true and fair view of the financial position of the Partnership at the accounting date and its income and expenditure for the year ended 31 March 2012.

In preparing this Statement of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and,
- complied with the Code of Practice on Local Authority Accounting (the Code)
- kept proper accounting records which were up to date; and,
- 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 presents a true and fair view of the financial position of the Partnership at the accounting date and its income and expenditure for the year ended 31 March 2012.

The Partnership has delegated the responsibility of signing off the Statement of Accounts to the Joint Committee. This was done on 19th September 2012.

Signed

Councillor E Blamire
Chair of Joint Committee
Leader Lancaster City Council

B. P. Hayes, CPFA
Section 151 Officer
Preston City Council
Host Authority

N. Muschamp
Section 151 Officer
Lancaster City Council

Date

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The shared service was formed on 1st July 2011. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Best Value Accounting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

This note explains the basis of the figures included in the accounts.

2. Accruals of Income and Expenditure

The financial statements have been prepared on an accruals basis for all transactions and balances hence transactions and balances have been accounted for in the period to which they relate, not simply when cash payments are made or received. The Authority has procedures established to ensure a fair assessment of the outstanding debtors and creditors are reflected within the Statement of Accounts. Debtors and creditors are analysed within the notes to the Balance Sheet.

3. Retirement Benefits

Employees of the Shared Service are employed by Preston City Council and contribute at the Preston City Council rate into the Local Government Pensions Scheme administered by Lancashire County Council. The scheme provides defined benefits to members, earned as employees work for the Authority.

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

- The liabilities of the scheme attributable to the Authority are included on Preston City Councils 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 projected earnings for current employees. Liabilities are discounted to their value at current prices, using a real discount rate of 5.5% determined by reference to market yields at the balance sheet date based on high quality corporate bonds.
- The assets of the pension fund attributable to the Authority are included in Preston City Councils Balance Sheet at their fair value.

It is impossible to determine the Shared Service's share of assets and liabilities of the Local Government Pensions Scheme 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.

4. Events after the Balance Sheet Date

Events may occur between the balance sheet date and the date the accounts are signed by the responsible Financial Officer which might 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.

5. Provisions

Provisions are made where an event has taken place that gives the Authority 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 a charge to Service Expenditure in the Comprehensive Income and Expenditure Statement.

The Shared Service currently has no provisions.

6. Reserves

Reserves are classified as either 'usable' (identified and maintained for specific future purposes and contingencies) or 'unusable' (kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority).

All the Shared Service reserves are usable.

7. Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

The Shared Service relies on the VAT registrations of the two partner Councils and submits its claims via these.

8. Government Grants and Contributions

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

9. Central Support Service Overheads

Central overheads are absorbed by the councils that occur them and are not recharged into the Shared Service.

10. Financial Liabilities

Creditors are the Shared Service's only financial liabilities. These are disclosed on the Balance Sheet at amortised cost.

11. Financial Assets

Debtors are the only financial assets and are included in the balance sheet at cost.

Core Financial Statements

Comprehensive Income & Expenditure Statement

The Comprehensive Income and Expenditure 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The statement summarises the resources that have been generated and consumed in providing and managing the Shared Service. It includes all day to day expenses and related income on an accruals basis.

Comprehensive Income & Expenditure Statement July 2011 to March 2012

	Note	£'000
Service Expenditure		
Management		98
Business Rates		231
Council Tax		769
Operations		471
Housing Benefits		1,781
Net Operating Expenditure		<u>3,350</u>
Service Income		
Lancaster City Council		1,665
Preston City Council		1,660
Fylde Borough Council		74
Total Sources of Finance	1	<u>3,399</u>
Surplus/Deficit for the year	1	<u>49</u>

The £49k Surplus for the year represents the Housing Benefits Transitional Grant. Preston City Councils Grant was £22k and Lancaster City Councils was £27k. This is being retained in reserves for expenditure during 2012/13. The net position is breakeven.

Movement in Reserves Statement

The Statement of Movement on the General Fund Balance is a requirement under CIPFA's Code of Practice on Local Authority Accounting in Great Britain. However, the purpose of this Statement is to reconcile the surplus or deficit on the Income and Expenditure Account with the statutory requirements for raising council tax and the resultant movement in the General Fund Balance. As the Shared Service does not have a General Fund Balance and does not raise council tax, this statement does not apply.

Statement of Total Recognised Gains and Losses

There are no gains or losses in addition to any reported in the Comprehensive Income and Expenditure Statement.

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 authority. All reserves are usable reserves.

	Note	31st March 2012 £'000
Debtors		65
Cash		151
Total Current Assets		216
Creditors	2	167
Total Current Liabilities		167
Net Assets		49

Represented by:**Usable Reserves**

Housing Benefits Transitional Grants	49
Total Reserves	49

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Cash Flow Statement July 2011 to March 2012

	£'000
Surplus/deficit for the year	49
(Increase)/decrease in debtors	-65
Increase/(decrease) in creditors	167
Net cash inflow/(outflow) from operating activities	102
Net increase/(decrease) in cash	151

Notes to the Core Statements

1. Income from Constituent Authorities

The costs of Shared Services are split equally between the Preston and Lancaster City Councils. The £5k difference in income received from the two councils is due to the Housing Benefits Transitional Grants transferred by the councils to the Shared Service. Preston City Councils Grant was £22k and Lancaster City Councils was £27k.

Support service charges from the two Councils and the FRS17 pension adjustments are absorbed in each council's own accounts.

Central overheads are absorbed by the councils that occur them and are not recharged into the Shared Service.

2. Creditors

At the year-end £6,035 is owing to sundry creditors and a further £160,826 is accrued for transactions that relate to 2011/12.

3. Officer Remuneration

There was one Senior Officer whose remuneration, excluding employer's pension contribution, was £65,000 - £69,999.

Post Title	Salary (Including fees & Allowances) £'000	Pension contributions £'000	Total Remuneration including pension contributions 2011/12 £'000
Assistant Director (Head of Revenues & Benefits)	65	12	77

4. Related party Transactions

The Shared Service has the following related parties:

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

5. Ultimate Controlling Partner

None of the partners has ultimate control of the Partnership.

6. External Audit Fees

Audit costs are borne in the year it commences. The 2011/12 audit costs will be included in the 2012/13 accounts.

7. Leases

The Partnership has not entered into any leasing arrangements.

8. Date Accounts Authorised for Issue

The Statement of Accounts includes any necessary disclosures in respect of events after the balance sheet date up to the 19th September 2012.

Glossary

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Budget

A statement of the Authority's spending plans for revenue and capital expenditure over a specified period of time.

Creditors

Amounts owed by the Authority for work done, services rendered or goods received for which payment has not been made by the balance sheet date.

Current Assets

Current assets are items that can be readily converted into cash.

Current Liabilities

Amounts which will become payable or could be called in within the next accounting period.

Debtors

Amounts owed to the Authority for work carried out, services rendered or goods provided by the Authority for which income has not been received by the balance sheet date.

Financial Year

The Council's financial year runs from the 1st April to 31st March.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

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.

Reserves

Amounts set aside in one year's accounts which can be spent in later years. Reserves are often earmarked for specific purposes, including the financing of future capital expenditure, replacement or renewals and the funding of future defined council initiatives.

Revenue Expenditure

This is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.

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