



Date: 24 May 2013
Your reference :
Our reference : LAS/JG/LT
Ask for :

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 Revenues and Benefits Service Joint Committee - 30 May 2013

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

6. Business Plan 2013 (Paragraphs 1 and 3) (Pages 21 – 46)

Report enclosed.

Furthermore, following publication of the agenda it has come to my attention that there are two further items which need to be considered and determined by the Joint Committee. These items do not appear on the original agenda, however must be considered as a matter of urgency as under Regulation 8 of the Accounts and Audit (England) Regulations 2011 the responsible financial officer is required by 30 June to sign and date the Statement of Accounts and certify that it presents a true and fair view of the financial position of the body at the end of the year and its income and expenditure.

I therefore attach two further **urgent** items for consideration by the Shared Revenues and Benefits Service Joint Committee:-

3a **Shared Service (unaudited) Annual Statement of Accounts 2012/13**
(Pages 1 - 14)

Report enclosed.

3b **Shared Service Annual Governance Statement** (Pages 15 - 20)

Report enclosed.

Yours faithfully

Angela Harrison
Governance Director

Report to Joint Committee Meeting to be held on 30th May 2013	Electoral Ward Affected All
Report submitted by : Section 151 Officer Preston City Council	
SHARED SERVICE (UNAUDITED) ANNUAL STATEMENT OF ACCOUNTS 2012/13	

1. Summary

- 1.1 The Host Authorities Section 151 Officer is responsible for the preparation of the 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 2013.
- 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 2012/13 (The Code).

2. Decision Required

- 2.1 To approve the unaudited Statement of Accounts for 2012/13 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 2012/13 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 2012/13 financial year by 30th June 2013. 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 between 1st April 2012 and 31st March 2013. The expenditure as pre agreed by the Joint Committee is split 50/50 between Preston City Council and Lancaster City Council.
- 3.4 The Comprehensive Income and Expenditure Statement states a deficit for the year of £49k, this relates to a Housing Benefits Transitional Grants received during 2011/12 and placed into a usable reserve. This was repaid during 2012/13 to the originating Councils as the grant was not related to Shared Service activities. Since the inception of the Shared Service the income and expenditure net off to zero.

4. External Audit

- 4.1 The Shared Service statement of accounts does not require auditing as the costs are subsumed within each Partner Authorities main statement of accounts which are subject to external audit.
- 4.2 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 2012/13 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 2012/13 (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 2012/13	30 th May 2013	Preston City Council, Section 151 Officer

Contact for further information:

Stephen Cox	01772 906053	Principle Accountant
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**REVENUES & BENEFITS SHARED
SERVICE**

**STATEMENT OF ACCOUNTS
2012/13**

**LANCASTER CITY COUNCIL
PRESTON CITY COUNCIL**

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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 2013. 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 2012/13 (the Code):

- **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 2013.

- **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.

The service commenced on the 1st July 2011 and is 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 2012/13 financial year and comparison to budget are set out below:

	Latest Budget £'000	Actual £'000	Variance £'000
Service Expenditure			
Management	132	130	2
Business Rates	295	297	(2)
Council Tax	1,041	1,019	22
Operations	514	520	(6)
Housing Benefits	2,290	2,340	(50)
Service Expenditure Total	4,272	4,306	(34)
Income			
Fylde Borough Council	92	91	1
Preston City Council	2,090	2,101	(11)
Lancaster City Council	2,090	2,114	(24)
Income Total	4,272	4,306	(34)
Total	0	0	0

Note:

Housing Benefits Transitional Grants Repaid

49

The Shared Service budget for 2012/13 was adjusted during the year for Grant income and expenditure.

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, apart from costs specific to either council.

During 2012/13 the only specific costs were for £13k for furniture which is to be borne by Lancaster City Council.

Housing Benefits Transitional Grants totalling £49k were received during 2011/12 and placed into a usable reserve. This was repaid during 2012/13 to the originating Councils as the grant was not related to Shared Service activities. The repayment of the grant has been split out from the above analysis for consistency with the previous year.

The Shared Service has an overspend against the budget of £34k. This overspend was mainly due to:

Variance £'000		
10	(F)	underspend on agency costs
30	(F)	underspend on ICT charges
(13)	(A)	overspend on Lancaster furniture
(73)	(A)	overspend on postage
12	(F)	other minor
<u>(34)</u>	(A)	

The major variance is the overspend of £73k on postage. This will decrease in 2013/14 due to the print/post project, however an overspend is still probable. Analysis of the overspend to reduce expenditure and rebasing of the budget from underspends in other areas within the Shared Service are being targeted to remove this variance in the future.

Expenditure by Council	£'000
Preston City Council	4,219
Lancaster City Council	87
	<hr/>
	4,306
	<hr/>

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

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 2012/13.

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

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 2013.

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 2013.

The Partnership has delegated the responsibility of signing off the Statement of Accounts to the Joint Committee. This was done on 30th May 2013.

Signed

Chair of the Joint Committee

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 2012/13 financial year and its position at the year ending 31 March 2013. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) and the Service Reporting Code of Practice 2012/13 (SeRCOP), 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).

The Shared Service currently has no reserves.

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. 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.

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 incur 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

		2011/12 9 Months £'000	2012/13 12 Months £'000
	Note		
Service Expenditure			
Management		98	130
Business Rates		231	297
Council Tax		769	1,019
Operations		471	520
Housing Benefits		1,781	2,340
Net Operating Expenditure		<u>3,350</u>	<u>4,306</u>
Service Income			
Lancaster City Council		1,665	2,087
Preston City Council		1,660	2,079
Fylde Borough Council		74	91
Total Sources of Finance	1	<u>3,399</u>	<u>4,257</u>
Surplus/(Deficit) for the year	1	<u>49</u>	<u>(49)</u>

The £49k deficit for the 2012/13 represents the Housing Benefits Transitional Grant. Preston City Councils Grant was £22k and Lancaster City Councils was £27k. This was placed in reserves in 2011/12 and repaid to both Councils during 2012/13 as it related to non-shared service activities.

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	As at 31 st March 2012 £'000	As at 31 st March 2013 £'000
Debtors		65	44
Cash		151	142
Total Current Assets		216	186
Creditors	2	167	186
Total Current Liabilities		167	186
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.

	2011/12 £'000	2012/13 £'000
Surplus/(deficit) for the year	49	(49)
(Increase)/decrease in debtors	(65)	20
Increase/(decrease) in creditors	167	19
Net cash inflow/(outflow) from operating activities	102	39
Net increase/(decrease) in cash	151	(10)

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 £8k difference in income received from the two councils is due to the £5k difference in Housing Benefits Transitional Grants transferred by the councils to the Shared Service (Preston City Councils Grant was £22k and Lancaster City Councils was £27k) netted off by the £13k purchase of Lancaster specific furniture.

Support service charges from the two Councils and the IAS 19 pension adjustments are absorbed in each council's own accounts.

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

2. Creditors

At the year-end £450 is owing to sundry creditors and a further £185,346 is accrued for transactions that relate to 2012/13.

3. Officer Remuneration

One Senior Officer received remuneration, excluding employer's pension contribution, of £65,000 - £69,999.

Post Title	Salary (Including fees & Allowances) £'000	Pension contributions £'000	Total Remuneration including pension contributions 2012/13 £'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

The Shared Service statement of accounts does not require external auditing as the costs are subsumed within each Partner Authorities main statement of accounts which are subject to external audit.

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 30th May 2013.

Glossary

Accruals

The concept that income and expenditure is recognised as it is 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 and Shared Services 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.

Report to Joint Committee Meeting to be held on 30 th May 2013	Electoral Ward Affected ALL
Report submitted by: Governance Director of Preston City Council	
Shared Service Annual Governance Statement Appendix A refers	

1. Summary

- 1.1 This report informs Members on the content of the Annual Governance Statement for 2012/13.

2. Decision Required

- 2.1 Joint Committee Members are asked to approve the Annual Governance Statement as set out in Appendix A to this report.

3. Information

- 3.1 In England, the preparation and publication of an Annual Governance Statement in accordance with the *“Delivering Good Governance in Local Government – Framework”* (‘the Framework Guidance’) produced by CIPFA/SOLACE is necessary to meet the statutory requirement set out in Regulation 4 of the Accounts and Audit (England) Regulations 2011 (‘the Regulations’) for authorities to ‘...approve an annual governance statement prepared in accordance with proper practices in relation to internal control’.
- 3.2 The Regulations provide that the Annual Governance Statement must be approved at a meeting of the authority or delegated committee.
- 3.3 The Framework Guidance states that the Governance Statement should cover all the significant corporate systems, processes and controls, spanning the whole range of the authority’s activities, including in particular those designed to ensure that:
- The authority’s policies are implemented in practice
 - High quality services are delivered efficiently and effectively
 - The authority’s 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 2013/14, Joint Committee Members 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 therefore, the Annual Governance Statement has been produced in accordance with the guidance and best practice contained within the Framework Guidance and is set out at Appendix A to this report.

4. Implications

- 4.1 The Regulations provide that the Annual Governance Statement accompanies the Annual Statement of Accounts.
- 4.2 All financial implications are reflected in the Annual Statement of Accounts that accompanies this report.

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 Governance Statement provides the citizens and service users with the evidence of the effectiveness of the Shared Service/Partnership governance arrangements.

Background Documents:

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

Paper	Date	Contact/Directorate/Ext
“Delivering Good Governance in Local Government - Framework” – CIPFA/SOLACE	2007	Governance

Contact for further information:

Angela Harrison	01772 906197	Governance Director
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ANNUAL GOVERNANCE STATEMENT REVENUES & BENEFITS SHARED SERVICE

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 the functions duly delegated to it are delivered within budget and to agreed standards. To this end the Joint Committee requires robust reporting and performance management arrangements that meet its own requirements and those of the partner authorities. The terms of reference of the Joint Committee require that the functions duly delegated to it are delivered within the budget and to agree standards:

- The delivery of those delegated functions relating to Revenues and Benefits that Preston City Council and Lancaster City Council have agreed to be delivered through the Joint Committee within the budget and to the agreed standards;
- To ensure that Preston City Council and Lancaster City Council remain fully informed and engaged.

1.2 The CIPFA/SOLACE Code of Corporate Governance (“the Code”) 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 Code 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, which includes the 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 comprises the systems, processes, culture and values by which the Joint Committee is directed and controlled and thereby provides quality, cost effective services to each partner authority.

2.2 The Joint Committee is not a free standing body in its own right therefore appropriate arrangements for the good governance of its affairs. It also draws upon the established good governance practice of Preston City and Lancaster City 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 and processes, including performance management arrangements that comprise the system of governance that 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 setting out the services to be provided and the quality requirements relating to these.
- 4.2 The Agreement provides that the Joint Committee be made up of two members of the Executive 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 S151 Officers of both Preston City Council and Lancaster City Council as required. Head of Member Services at Preston City Council is the Secretary to the Joint Committee.
- 4.4 The Head of Shared Service provides performance monitoring reports to the Joint Committee at each of its meetings. Further, the Head of Shared Service and the Section 151 Officer of Preston City Council present reports at each annual meeting of the Joint Committee providing details of the following matters:
 - A statement showing progress in achieving the objectives in the business plan;
 - A summary revenue account and statement of capital spending including 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 Council 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 so as to fit 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 monthly to the Section 151 Officer of each Council.

6. Risk Management

- 6.1 The risks associated with the successful delivery of the Shared Service in 2011/12 are recorded in a Risk Log within the SSBP. The key risks facing the Shared Service at this stage of its development are considered to be:
- ICT and systems
 - Reduction in quality of service and/or performance - Shared Service fails to deliver the desired outcomes
 - Partnership fails to deliver the desired outcomes
 - The implications arising out of the government agenda for welfare reform.
- 6.2 The SSBP contains a range of actions which are aimed at mitigating these risks.
- 6.3 The Risk Register has been reviewed as part of the process for producing the SSBP for 2013/14.

7. Workforce Planning

- 7.1 One of the key actions in the 2011/12 SSBP is the implementation of a Workforce Strategy to which:
- sets out a core purpose and values / guiding principles for the partnership which are in line with those of each Council, and
 - identifies and addresses any staff development needs.
- 7.2 The first stage in this process took place on 9th July 2009 when all the staff attended a planning workshop where they were consulted on the draft purpose and values and on the way forward to develop skills.
- 7.3 Further sessions are planned to develop leadership skills within the partnership management team and strengthen partnership working in general.

8. Scrutiny & Audit

- 8.1 The accounts relating to the Shared Service are subject of audit and are open to inspection by the Joint Committee and the parties. 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 meaningful scrutiny of its performance.

- 8.2 Internal audit for the Shared Service is provided by the Lancaster City Council Internal Audit service, reporting to the Joint Committee and separately to each Council's Audit Committees. The internal audit service is delivered by an in-house team required to operate to professional standards set out in the *'CIPFA Code of Practice for Internal Audit in Local Government 2006'*.
- 8.3 For the 2012/13 financial year, the results of audit work have enabled the Internal Audit Manager to provide a positive assurance statement regarding the systems and procedures operated by the Shared Service, without any significant control issues or failures having been identified.

9. Review of Effectiveness

- 9.1 The Joint Committee has a responsibility to keep the effectiveness of its governance arrangements under review and to demonstrate continuous improvement. This is informed by the work of members and the partnership's senior management further supported by the internal audit service and also by any work of external audit.
- 9.2 At future annual meetings the business Plan will contain performance data to show performance against agreed targets and draft financial statements. Any service issues will be outlined for members' consideration.

10. Enhancing our Governance Arrangements

- 10.1 Emphasis will be on embedding the newly created governance and performance management arrangements as set out above.
- 10.2 Officers will seek continuing improvement and review lessons learned from previous financial years.

Signatures

Chair of the Shared Services Joint Committee _____

Vice chair of the Shared Services Joint Committee _____

Treasurer of the Shared Services Joint Committee _____

Secretary of the Shared Services Joint Committee _____

May 2013

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

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