

Report to: Shared Revenues & Benefits Service - Joint Committee Meeting to be held on 12 December 2022	Electoral Ward Affected ALL
Report submitted by: Director of Resources (Preston City Council)	
Report Title: SHARED SERVICE – ANNUAL GOVERNANCE STATEMENT 2021/22 Shared Revenues and Benefits Service ('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 2021/22. 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 2021/22, 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 authorities (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 2021/22, to accompany the (unaudited) Annual Statement of Accounts 2021/22.
- 3.3 The Framework offers guidance, namely, 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 2021/22, the Joint Committee will require assurances on the effectiveness of The 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 2021/22 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 audits and internal audit work undertaken in relation to the Shared Service is provided in **Appendix B** as further assurance. Unfortunately audit work in relation to the Shared Service continued to be impacted during the early part of 2021/22 given the COVID-19 pandemic, with resources switched to priority areas. To compensate for this, other assurance information is provided in relation to complaints and business grants.
- 3.7 The COVID-19 pandemic had a significant impact upon day-to-day activity and it was important that both authorities ensured that governance arrangements were robust and effective in order to respond to the global pandemic. Additional arrangements were put in place to strengthen governance, for example:
- Procedures/processes introduced to allow the majority of the workforce to work remotely,
 - Assurance arrangements put in place to mitigate the financial risk when paying significant numbers of business grant
 - New procedures implemented to secure the payment of business grants and discretionary grants
- 3.8 An extract of the Risk Log is provided in **Appendix C** as further assurance, detailing mitigation in relation to the 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 2021/22, which 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 the mitigation of those risks are covered within the Business Plan 2022-24 (See Appendix C).

4.4 Both Councils publish their own Annual governance statement in line with the governance Framework which sets out fully the governance arrangements for each individual Council. This statement covers governance arrangements for the Shared Service. In addition, each council has a local Code of Corporate governance presented to Audit committee annually.

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 2021/22 provides the citizens and service users with evidence of the effectiveness of the governance arrangements for the Revenues and Benefits Shared Service.

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)	2016	Jackie Wilding Director of Resources Tel: 01772 906994
Shared Service Business Plan 2021-23	2021	Andrew Taylor Interim Head of Shared Service Tel: 01772 906013

Contact for further information:

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**REVENUES & BENEFITS SHARED SERVICE
ANNUAL GOVERNANCE STATEMENT
2021/22**

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 authorities.

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 provided 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 authority 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 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 associated systems - Maintenance and connectivity issues, causing disruption to IT systems
 - Reduction in the quality of service and/or performance
 - Welfare Reform - Transfer of responsibility to DWP for housing costs, and changing regulations:
 - COVID 19/Cost of Living Crisis - 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. An extract from the Risk Register is provided at **Appendix C**.

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
- set out the core purpose, values and guiding principles for the partnership, in line with those of each Partner Authority, and
 - identified and addressed 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. e.g. 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 authority 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 was previously predominantly provided by the Lancaster City Council Internal Audit service, assisted by the Preston team when required, however, it has now been agreed to share the workload over the next 12 months. Where appropriate, reports are issued separately to the Audit Committee of each Partner Authority.
- 8.3 In 2021/22 audit work continued to be impacted as a result of the COVID-19 pandemic with both audit and shared service resources switched to priority areas. Latest assurance statement can be found at **Appendix B** and include additional information on complaints and business grants.
- 8.4 The two Councils work to different assurance scales:
- Preston: Full; Substantial; Reasonable; Limited; Minimal
 - Lancaster: Maximum; Substantial; Limited; Minimal
- 8.5 During 2021/22 it was paramount that both authorities ensured that governance arrangements were robust and effective in order to respond to the global pandemic. Additional governance arrangements were put in place, for example:-
- Procedures/processes introduced to allow the majority of the workforce to work remotely,
 - Assurance arrangements put in place to mitigate the financial risk when paying significant numbers of business grant
 - New procedures implemented to secure the payment of business grants and discretionary grants

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)

12 December 2022

Revenues & Benefits Shared Service**Subsidy Assurance & Internal Audit Reports Issued 2021/22 and additional evidence:**

Note: The two Councils work to different assurance scales:

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

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

Job No	JOB_TITLE	Report Date	Assurance Opinion	Assurance Opinion Text
DWP - BENEFITS:				
2020/21	DWP Subsidy Audit (Lancaster) KPMG Auditors	28/01/22	Certified	Following receipt of the 2020/21 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. (£24m subsidy payment)
	(Preston) Grant Thornton Auditors	27/01/22	Certified	DWP confirmed no issues identified, claim was certified with no qualification. (£34m subsidy payment)

Internal Audit Work:

For the 2021/22 financial year, audit work in relation to the Shared Service was impacted as a result of the COVID-19 pandemic with both audit and shared service resources switched to priority areas. However, a number of audits were completed.

Job No	JOB_TITLE	Report Date	Assurance Opinion	Assurance Opinion Text
BUSINESS RATES:				
	Business Support Grants (Lancaster)	22/06/2022	Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.

Job No	JOB_TITLE	Report Date	Assurance Opinion	Assurance Opinion Text
	Key Internal Controls (Lancaster) (Preston)	07/12/2021	Reasonable	Due to either logistical issues or a lack of capacity some normal processes were halted or delayed, and the service is only now able to resume normal routines in full. As a result, our work has established that whilst there is a sound system of control in place with controls effectively operating in most areas some areas of control weakness have been identified which if not addressed could put the system objectives at risk.

Additional Management comment in relation to the Key Internal Controls Audit:

This detailed audit provides a good level of re-assurance regarding the administrative process in place for Business Rates and was conducted professionally and with a minimum of disruption, at a busy time. However, the assurance finding of "reasonable" is disappointing and reflects a number of factors impacted by COVID-19 and beyond officer control. ie. unprecedented workloads in relation to business grants; the postponement of all Courts and the suspension of property inspections in line with COVID guidance.

Covid Business Grants Paid Out: (minimal error rate detected)

	Lancaster £m	Preston £m
Retail and Small Business Grants	30.82	32.55
Local Restrictions support Grant	16.39	15.46
Restart Grants	<u>8.37</u>	<u>7.97</u>
	55.58	55.98
Discretionary Grants	<u>5.95</u>	<u>5.92</u>
Total Grant Distribution	<u>61.53</u>	<u>61.90</u>
Retail Discount Awarded 2021/22	8.10	13.63

REVENUES & BENEFITS SHARED SERVICE RISK LOG

	Risk Description	Likelihood	Impact	Mitigation
1.	ICT & Systems	Low	Critical	<ul style="list-style-type: none"> • Maintenance contracts in place with demanding service levels. • Procurement and instillation of improved new connection between the two authorities. • Business Continuity Plans developed and tested. Resources utilised 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. • Procured Capita Remote Support for Academy Systems. • Disaster Recovery testing frequently carried out
2.	Reduction in quality of service and/or performance	Low	Significant	<ul style="list-style-type: none"> • Continuously reviewing the staffing structure to ensure it remains fit for purpose. • Contingency plans in place to enable the input of additional resources from either site to minimise risk during early stages. • Set realistic performance targets. • Overview by Joint Committee and S151 Officers.
3.	Welfare Reform	Medium	Significant	<ul style="list-style-type: none"> • Universal Credit (i.e., transferring responsibility for paying housing costs from the LA to DWP) when forecasting staffing numbers required to perform the residual tasks associated with UC. • Shortfall in income through the introduction of Localised Council Tax Support Scheme and not being able to collect from customers who have previously not paid Council Tax. Pressure on Revenues teams to maintain collection rates. • Lack of information on changes to the benefits systems from DWP and DLUHC poses a risk for authorities that they will not forecast income/ expenditure/resources accurately (in addition to grant cuts).

4.	COVID19/ Cost of Living Crisis - Inability to meet statutory requirements and customer expectations	Medium	Significant	<ul style="list-style-type: none">• Appropriate staffing levels and structure• Budget monitoring and management• Contingency at each site• Flexible agile staff• Home working• Overview & Scrutiny• Partnership & collaborative working• Review of recovery policy• Robust policies
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