



Committee: SHARED REVENUES AND BENEFITS SERVICE JOINT COMMITTEE

Date: MONDAY, 20TH JUNE 2016

Venue: BY WAY OF VIDEO-CONFERENCING AT BOTH PRESTON CITY COUNCIL
AND LANCASTER CITY COUNCIL OFFICES

Time: 4.30 P.M.

A G E N D A

PART A (OPEN TO PRESS AND PUBLIC)

1. **Appointment of Chair and Vice-Chair**

To appoint a Chair and Vice-Chair of the Shared Revenues and Benefits Service Joint Committee for the 2016/17 Municipal Year.

2. **Chair's Announcements**

- Fire Procedures / Mobile Phones / Rest Rooms.
- *"Members of the Public, committee members and officers are reminded that under the Openness of Local Government Bodies Regulations 2014, the press and Public may film, audio record, photograph and use social media whilst the meeting is in progress, for Part A items only, and as long as no disruption is caused to the meeting. Anyone filming is asked to focus their attention on elected members rather than other visitors".*
(To be read out if visitors present).

3. **Notification of Substitute Members (if any)**

4. **Declarations of Interests**

To receive any declarations of interest from Members.

5. **Minutes** (Pages 1 - 4)

To confirm the minutes of the meeting held on 27th January 2016.

6. **Shared Service - Annual Governance Statement 2015/16** (Pages 5 - 11)

Report enclosed.

7. **Shared Service - (Unaudited) Annual Statement of Accounts 2015/16** (Pages 12 - 26)

Report enclosed.

8. **Date of Next Meeting**

To be discussed.

9. **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 the paragraph(s) of Schedule 12A to the Local Government Act 1972 which is specified against the heading(s) 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.”

PART B (Private and Confidential)

10. **Shared Service - Business Plan 2016 (Paragraphs 1 and 3) (Pages 27 - 52)**

Report enclosed.

Queries regarding this Agenda

Please contact Julie Grundy, Head of Member Services, Preston City Council, tel: 01772 906112.

Shared Revenue and Benefits Service Joint Committee

Shared Revenue and Benefits Service Joint Committee 27 January 2016

Present:

Councillor Rawlinson	– Chair – Cabinet Member for Resources, Preston City Council
Councillor Newman-Thompson	– Vice-Chair – Cabinet Member for Finance, Revenues and Benefits, Lancaster City Council
Councillor Swindells	– Deputy Leader and Cabinet Member for Planning and Regulation, Preston City Council
Councillor Blamire	– Leader, Lancaster City Council

Also in attendance:

Ms N Muschamp	– Chief Officer (Resources)/Section 151 Officer, Lancaster City Council
Mr A Robinson	– Head of Shared Service/Deputy Director
Mr S Cox	– Principal Accountant, Preston City Council
Ms D Chambers	– Democratic Services Manager, Lancaster City Council

Apologies: Councillor Rankin

SRB52 Chair's Announcements

There were none.

SRB53 Notification of Substitute Members (if any)

The Committee considered whether there was a need to amend the quoracy arrangements for the joint committee, which currently required four members to be present for any business to be considered. It was agreed that the

Shared Revenue and Benefits Service Joint Committee

current arrangements were satisfactory since substitute members were permitted to attend.

Resolved – That the appointment of Councillor Swindells in substitution for Councillor Rankin, in accordance with Rule 12 of the ‘Conduct of Meetings and Proceedings of the Joint Committee’ document, be noted.

SRB54 Declarations of Interests

There were none.

SRB55 Minutes

Resolved - That the minutes of a meeting of the Shared Revenues and Benefits Service Joint Committee held on 16 July 2015 be noted and signed as a correct record.

SRB56 Date of Next Meeting

To be advised.

SRB57 Exclusion of the Press and Public

Resolved – That the public be excluded from this meeting during consideration of the following item of business on the grounds that there is likely to be a disclosure of exempt information which is described in Paragraph 3 of Part 1 of Schedule 12 A of 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.

SRB58 Shared Service Budget 2016/17 - (Revenues and Benefits) (Paragraph 3)

The Deputy Director of Customer Services (Head of Shared Service) submitted a report on the Shared Service, in line with the Shared Service Agreement between Lancaster City Council and Preston City Council, providing the latest budget monitoring and the revised budget for 2015/16 to enable the Joint Committee to approve the budget for 2016/17. The Principal Accountant (Preston City Council) presented the report to Members.

Councillor Rawlinson enquired about a mechanism for the redeployment of staff at risk of redundancy, at both authorities, into the shared service. It was explained that such a process was already utilised, with each vacant post considered individually on its merits as to deletion, re-designation and recruitment. In recent years, all available posts had been filled from existing

Shared Revenue and Benefits Service Joint Committee

staff within the two authorities. Officers would discuss the issue with Human Resources.

Resolved – That the Joint Committee:

- (i) Notes the latest budget monitoring and the revised budget for 2015/16 for the Shared Service, as detailed in Appendix A of the report;
- (ii) approves the budget for 2016/17 for the Shared Service, as detailed in Appendix B of the report; and
- (iii) delegates 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.

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Report to Joint Committee Meeting to be held on 20 th June 2016	Electoral Ward Affected ALL
Report submitted by: Director of Corporate Services (Preston City Council)	
SHARED SERVICE – ANNUAL GOVERNANCE STATEMENT 2015/16 Revenues & Benefits (<i>Appendix A</i> refers)	

1. Summary

- 1.1 This report informs Members on the content of the Annual Governance Statement for 2015/16. The Annual Governance Statement is set out in ***Appendix A***.

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 The Accounts and Audit (England) Regulations 2011, paragraph 4(3) (b) requires the relevant body or committee to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. This statement should then accompany the Annual Statement of Accounts.
- 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 2015/16, 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, the Annual Governance Statement has been produced in accordance with the guidance and best practice contained within the Framework Guidance contained in the CIPFA/SOLACE publication “Delivering Good governance in Local Government” and is set out at **Appendix A** to this report.
- 3.6 A summary table documenting recent audit work undertaken in relation to the Shared Service is provided in **Appendix B** as further assurance.

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 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	Caron Parmenter Monitoring Officer Tel: 01772 906373

Contact for further information:

Ally Brown	01772 906392	Director of Corporate Services
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**REVENUES & BENEFITS SHARED SERVICE
ANNUAL GOVERNANCE STATEMENT
2015/16**

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 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. 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 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, 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 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 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 progress against the objectives in the 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
 - Reduction in the quality of service and/or performance – i.e. the Shared Service fails to deliver the desired outcomes.
 - The implications arising out of the Government’s agenda for welfare reform.
- 6.2 The SSBP contains a range of actions aimed at mitigating these risks.
- 6.3 The Risk Register has been reviewed as part of the process of compiling the SSBP for 2016.

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. This;-
- 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. eg. Universal Credit

8. Scrutiny & Audit

- 8.1 Accounts relating to the Shared Service are subject to a full audit and 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 Internal audit for the Shared Service is provided by the Lancaster City Council Internal Audit service, which reports separately to the Audit Committees of each partner authority. The internal audit service is delivered by an in-house team operating to professional standards as set out in the *'CIPFA Code of Practice for Internal Audit in Local Government 2006.'*
- 8.3 For the 2015/16 financial year, the Internal Audit Manager has been able to provide a positive assurance statement regarding the systems, policies and procedures operated by the Shared Service, without any significant control issues or failures having been identified.
- 8.4 The two Councils work to different assurance scales:
- | | |
|------------|---|
| Preston: | Full; Substantial; Reasonable; Limited; Minimal |
| Lancaster: | Maximum; Substantial; Limited; Minimal |
- 8.5 Audit work in relation to the academy Revenues & Benefits application was carried out by representative auditors from Lancashire County Council.

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 At future annual meetings the Business Plan will contain performance data to show performance against agreed targets together with draft financial statements. Any service issues will be outlined for Members' consideration.

10. Enhancing our Governance Arrangements

10.1 The emphasis is on embedding the newly created governance and performance management arrangements as set out above.

10.2 Officers seek to continuously improve and to review lessons learned from previous financial years.

Signatures

Chair of the Shared Services Joint Committee _____

Vice chair of the Shared Services Joint Committee _____

S151 Officers of the Partner local authorities _____

Secretary of the Shared Services Joint Committee _____

June 2016

**Revenues & Benefits Shared Service
Internal Audit Reports Issued 2015/16:**

Note: The two Councils work to different assurance scales:

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

Job No	JOB_TITLE	Report Date	Assurance Opinion	Assurance Opinion Text
15/0952	Housing Benefit Subsidy - Overpayment Classifications (Lancaster)	24/12/15	Substantial	Substantial assurance has been given on the basis that the overpayment classification error rate is considered reasonable. Classifications are in line with DWP guidance and an appropriate audit trail is available to support each overpayment and the classification awarded.
15/0958	Housing Benefit Subsidy - Overpayment Classifications (Preston)	16/03/16	Substantial	The assurance level has been raised to substantial on the basis that since the original review, errors identified have been reviewed and corrected as appropriate, training has been delivered and arrangements surrounding the classification of overpayments have been strengthened.
n/a	Academy Revenues & Benefits application (Preston)	17/02/15	Reasonable	Based on the work we have performed, we found that the council has effectively implemented its Academy revenues and benefits application and receives adequate support from the supplier. Overall, we can provide reasonable assurance that risks in relation to the Academy application are currently effectively mitigated to ensure the achievement of business objectives.

Report to Joint Committee Meeting to be held on 20th June 2016	Electoral Ward Affected All
Report submitted by : City Treasurer (Preston City Council)	
SHARED SERVICE - (UNAUDITED) ANNUAL STATEMENT OF ACCOUNTS 2015/16	

1. Summary

- 1.1 The Host Authorities 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 2016.
- 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 Code of Practice on Local Authority Accounting in United Kingdom 2015/16 (The Code).

2. Decision Required

- 2.1 To approve the unaudited Revenues and Benefits Statement of Accounts for 2015/16 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 2015/16 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 2015/16 financial year. 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 2015 and 31st March 2016. 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 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 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 2015/16 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 2015/16.

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 2015/16	20 th June 2016	Preston City Council, Section 151 Officer

Contact for further information:

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

**STATEMENT OF ACCOUNTS
2015/16**

**LANCASTER CITY COUNCIL
PRESTON CITY COUNCIL**

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Explanatory Foreword

1. Explanation of the Purpose 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 2016. 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 Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code) and the Service Reporting Code of Practice 2015/16 (SeRCOP).

Core Financial Statements:

•**Movement in Reserves Statement:** this statement shows the movement in the year on the different reserves held by the Shared Service.

•**Income and Expenditure Statement:** this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

•**Balance Sheet:** this sets out the Shared Services assets and liabilities as at 31st March 2016.

•**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.

Additional Statements Accompanying the Accounts:

•**Statement of Responsibilities for the Statement of Accounts:** identifies the officers who are responsible for the proper administration of the Shared Services financial affairs.

Each of the statements is inextricably linked and whilst individually important must be seen collectively to ensure they are looked at in context.

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 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.

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 2015/16 financial year and comparison to budget are set out below:

	Latest Budget £'000	Actual £'000	Variance £'000	
Service Expenditure				
Management	151	154	3	(A)
Business Rates	361	342	(19)	(F)
Council Tax	952	954	2	(A)
Operations	332	340	8	(A)
Housing Benefits	1,893	1,832	(61)	(F)
Service Expenditure Total	3,689	3,622	(67)	(F)
Income				
Fylde Borough Council	16	16	0	
Preston City Council	1,832	1,803	(29)	
Lancaster City Council	1,837	1,803	(34)	
Income Total	3,685	3,622	(63)	
Total	4	-	(4)	

Elements of the Shared Service budget for 2015/16 were adjusted during the year mainly for:

- The transfer of the fraud team to DWP's Single Fraud Investigation service – resulting in a reduction to the budget of £210k in 2015/16 (£253k ongoing).
- £30k of ongoing vacant posts within the Shared Service have been released.
- £27k of redundancy payments to enable the final VFM budget savings (the process is now completed with £423k of ongoing savings).
- Funding has been received from the Department of Work and Pensions. This has increased budgets by £36k (one-off) and incurred matching costs for ICT projects.

The Preston City Council income budget was kept constant during the year as it nets out within Preston City Councils accounts as an internal recharge, as a result it is £5k lower than the Lancaster budget.

Both Councils have agreed that actual costs associated with the service should be shared equally (after the adjustment for Fylde income) between the two authorities during 2015/16. Where variances arise between budget and outturn, these would also be shared equally.

The Shared Service has an underspend against the budgeted expenditure of £67k. This underspend was mainly due to:

Variance £'000		
(68)	(F)	underspend on employee costs
(43)	(F)	underspend on print and post costs
40	(A)	overspend on ICT/Phones
<u>4</u>	(A)	other minor overspends
<u><u>(67)</u></u>	(F)	

The major variance is the underspend of £68k on employee costs. This is mainly due to the natural turnover of staff, resulting in reduced expenditure whilst the posts are vacant. Focus on the print and post costs have resulted in savings increasing from the previous year, the budgets for these will be transferred in 2016/17 to cover the investment in ICT systems that has resulted in this year's ICT overspend.

5. Expenditure by Council

	£'000
Preston City Council	3,577
Lancaster City Council	<u>45</u>
	<u><u>3,622</u></u>

Preston City Councils expenditure is significantly higher than Lancaster City Councils because, as the Host Council, 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.

6. Capital Expenditure

The Shared Service does not own any assets and did not incur any capital expenditure during 2015/16.

7. 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 Preston City Council.

8. Further Information

Further information about the accounts is available from:

J. Wilding,
City Treasurer
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. In these authorities, 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 City Treasurer and Chief Officer (Resources) are responsible for the preparation of the Councils Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the City Treasurer and Chief Officer (Resources) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code;

The City Treasurer and Chief Officer (Resources) has also:

- 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 gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2016.

Signed

Chair of the Joint Committee

J. Wilding
City Treasurer
Preston City Council
Host Council

N. Muschamp
Chief Officer (Resources)
Lancaster City Council

Date

Core Financial Statements

Movement in Reserves Statement

The Statement of Movement on the General Fund Balance is a requirement under Code of Practice on Local Authority Accounting in the United Kingdom. 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.

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.

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 does not have any 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.

Comprehensive Income & Expenditure Statement

2014/15 £'000		Note	2015/16 £'000
	Service Expenditure		
176	Management		154
318	Business Rates		342
970	Council Tax		954
442	Operations		340
2,201	Housing Benefits		1,832
<u>4,107</u>	Net Operating Expenditure		<u>3,622</u>
	Service Income		
77	Fylde Borough Council		16
2,015	Lancaster City Council		1,803
2,015	Preston City Council		1,803
<u>4,107</u>	Total Sources of Finance	2	<u>3,622</u>
<u>-</u>	Surplus/Deficit for the year	2	<u>-</u>

Balance Sheet

As at 31st March 2015 £'000		Note	As at 31st March 2016 £'000
178	Debtors		50
(20)	Cash		77
<u>158</u>	Total Current Assets		<u>127</u>
158	Creditors	4	127
<u>158</u>	Total Current Liabilities		<u>127</u>
<u>-</u>	Net Assets		<u>-</u>

Cash Flow

2014/15 £'000		2015/16 £'000
<u>-</u>	Surplus/deficit for the year	<u>-</u>
(38)	(Increase)/decrease in debtors	128
(45)	Increase/(decrease) in creditors	(31)
<u>(83)</u>	Net cash inflow/(outflow) from operating activities	<u>97</u>
<u>(83)</u>	Net increase/(decrease) in cash	<u>97</u>

Notes to the Core Financial Statements

1. Accounting Policies

1. General Principles

The Statement of Accounts summarises the Shared Service's transactions for the 2015/16 financial year and its position at 31 March 2016. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

2. Accruals of Income and Expenditure

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 Authority 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 Authority.
- 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.

3. Employee Benefits

i. Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Shared Service.

ii. 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

iii. 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 Council. Retirement benefits are determined independently of scheme investments and the Council must contribute to any deficit where assets are insufficient to meet retirement benefits.

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 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 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 Shared Service 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 after the Balance Sheet date are those events, both favourable and unfavourable, 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.

The Shared Service had no events after the Balance Sheet Date.

5. 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, and a reliable estimate can be made of the amount of the obligation.

The Shared Service currently has no provisions.

6. Reserves

The Authority sets 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 the use by the Shared Service when appropriate expenditure is incurred.

7. 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.

8. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, 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 Council 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.

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.

2. Income from Constituent Authorities

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

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

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

3. Cash and Cash Equivalents

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

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

4. Creditors

At the year-end £127,072 is accrued for transactions that relate to 2015/16.

5. 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 2015/16 £'000
Assistant Director Head of Revenues & Benefits	67	8	75

6. 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

7. Ultimate Controlling Partner

None of the partners has ultimate control of the Partnership.

8. 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 Authorities main statement of accounts which are subject to external audit.

9. Leases

The Partnership has not entered into any leasing arrangements.

10. Date Accounts Authorised for Issue

The Statement of Accounts includes any necessary disclosures in respect of events after the balance sheet date up to 20th June 2016.

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.

Current Assets

Current assets are items that are reasonably expected to be readily converted into cash.

Current Liabilities

Amounts which will become payable or could be called in within 12 months of the reporting period.

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.

Events after the Balance Sheet Date

These are events, favourable or adverse, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

Financial Year

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

Going Concern

The concept that the Council 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 the Shared Service in return for past or future compliance with certain conditions relating to the activities of the Shared Service.

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.

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 Shared Service 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.

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

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