

Report to Joint Committee Meeting to be held on 18 th September 2014	Electoral Ward Affected ALL
Report submitted by: Governance Director of Preston City Council	
Shared Service - Annual Governance Statement <i>Appendix A</i> refers	

1. Summary

- 1.1 This report informs Members on the content of the Annual Governance Statement for 2013/14. 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 (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 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, 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 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:

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**REVENUES & BENEFITS SHARED SERVICE
ANNUAL GOVERNANCE STATEMENT
2013/14**

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 the requirements of all partner authorities. The terms of reference of the Joint Committee require that:

- 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 are delivered within budget and to the agreed standards;
- 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 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 must be made. 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 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
- Loss of control or direction by any Council with regard to service delivery
- Lack of ownership by partnership Councils and different levels of commitment to Shared Service agenda
- Potential conflict between Revenues & Benefits strategy and the individual customer service of each partner
- The implications arising out of the government 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 for producing the SSBP for 2014/15.

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 which:

- Led to staff consultation, and set out a core purpose and values / guiding principles for the partnership, in line with those of each Council, and
- identified and addressed any staff development needs.

7.2 Workforce planning has helped to deliver quality and cost effective services and the majority of 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 time of change, consultation with frontline staff takes place and they are fully involved and understand their role in the process, providing re-assurance and commitment.

7.4 Longer term workforce planning provides the opportunity to link training and development needs with future skills needs and devise strategies to meet these needs. eg. Universal Credit

8. Scrutiny & Audit

8.1 Accounts relating to the Shared Service are subject to audit and open to inspection by the Joint Committee and 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 separately to each Council's Audit Committees. The internal audit service is delivered by an in-house team operating to professional standards set out in the 'CIPFA Code of Practice for Internal Audit in Local Government 2006.

8.3 For the 2013/14 financial year, the results of audit work have enabled the Internal Audit Manager 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

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, together with support services, further supported by 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 and draft financial statements. Any service issues will be outlined for members' consideration.

10. Enhancing our Governance Arrangements

10.1 Emphasis is on embedding the governance and performance management arrangements as set out above.

10.2 Officers seek continuous 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 _____

S151 Officers of the partner local authorities _____

Secretary of the Shared Services Joint Committee _____

September 2014

APPENDIX B

**Revenues & Benefits Shared Service
Internal Audit Reports Issued 2013/14:**

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
12/0866	Council Tax 2012/13 – Lancaster	19/03/2013	Maximum	Evaluation of systems and procedures found that appropriate arrangements are in place to ensure segregation of duties, with good levels of supervision and internal check taking place. Arrangements for awarding exemptions and discounts are robust, and effective procedures are in place to maximise income through appropriate arrangements to pay.
12/0867	Council Tax 2012/13 - Preston	19/03/2013	Substantial	Effective procedures are in place to maximise income through appropriate arrangements to pay and arrangements for awarding discounts and exemptions are robust. Arrangements have been strengthened to ensure that the risk of error and fraud going undetected is effectively managed through appropriate separation of duties and internal checks. The review also identified a number of areas where there are opportunities to provide a consistent approach within the shared service.
13/0900	NDR Retention - Preston	11/11/2013	Substantial	A reasonable approach has been taken to estimating potential changes in revenue due to appeals, therefore minimising the risk of a significant effect on cash flow, and ensuring that rate retention is appropriate. Good arrangements have also been made to ensure that adjustments to be made due to appeals are properly taken into account in NDR income monitoring.

Job No	JOB_TITLE	Report Date	Assurance Opinion	Assurance Opinion Text
13/0901	NDR Retention - Lancaster	11/11/2013	Substantial	A reasonable approach has been taken to estimating potential changes in revenue due to appeals, therefore minimising the risk of a significant impact on cash flow, and ensuring that rate retention is appropriate. Good arrangements have also been made to ensure that adjustments to be made due to appeals are properly taken into account in NDR income monitoring.
13/0902	Housing Benefit (Welfare Reforms) - Lancaster	12/12/2013	Maximum	Maximum assurance is provided on the basis that the council has effectively implemented the Welfare Reforms and testing found assessments to be correct and in accordance with Housing Benefit Regulations. Action is being taken to further raise standards by implementing matters of best practice highlighted through the review concerning data sharing protocols and awarding Discretionary Housing Payments.
13/0905	Housing Benefit (Welfare Reforms) - Preston	02/01/2014	Full	Full assurance has been provided as the council has effectively implemented the Welfare Reforms and testing performed on individual cases established that assessments made are correct and in accordance with Housing Benefit regulations. Discretionary Housing Payments are appropriate and in line with council policy and regulations. Arrangements are to be strengthened in terms of data security with the development of data sharing protocols.

Job No	JOB TITLE	Report Date	Assurance Opinion	Assurance Opinion Text
13/0906	Revenues and Benefits - Operational Support and Performance (Lancaster)	07/04/2014	Substantial	<p>Evaluation of systems and procedures in place have established that arrangements made to support the Revenues and Benefits operation are effective. Employees are well trained and quality assurance mechanisms are appropriate. Freedom of Information requests are dealt with in accordance with council policy and complaints handling procedures are well controlled. Good change control arrangements are in place in relation to system upgrades and system back-up arrangements are robust. The printing and posting project was well managed and good contractual arrangements are in place with the supplier. Assurance provided therefore is substantial.</p>
13/0907	Revenues and Benefits - Operational Support and Performance (Preston)	27/03/2014	Substantial	<p>Evaluation of systems and procedures in place have established that arrangements made to support the Revenues and Benefits operation are effective. Employees are well trained and quality assurance mechanisms are appropriate. Freedom of Information requests are dealt with in accordance with council policy and complaints handling procedures are well controlled. Good change control arrangements are in place in relation to system upgrades and system back-up arrangements are robust. The printing and posting project was well managed and good contractual arrangements are in place with the supplier. Assurance provided therefore is substantial.</p>

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