

<b>Report to Joint Committee</b> Meeting to be held on 18 <sup>th</sup> September 2014	<b>Electoral Ward Affected</b> All
Report submitted by : Section 151 Officer Preston City Council	
<b>SHARED SERVICE (UNAUDITED) ANNUAL STATEMENT OF ACCOUNTS</b> <b>2013/14</b>	

**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 2014.
- 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 2013/14 (The Code).

**2. Decision Required**

- 2.1 To approve the unaudited Statement of Accounts for 2013/14 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 2013/14 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 2013/14 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 1<sup>st</sup> April 2013 and 31<sup>st</sup> March 2014. 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 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 2013/14 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 2013/14 (The Code).

**Background Documents:**

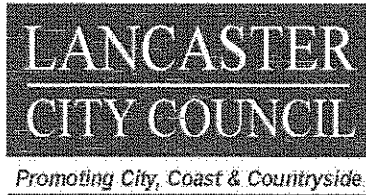
Background documents open to inspection in accordance with Section 100D of the Local Government Act 1972:

Paper	Date	Contact/Directorate/Ext
Statement of Accounts 2013/14	16 <sup>th</sup> June 2013	Preston City Council, Section 151 Officer

**Contact for further information:**

Stephen Cox	01772 906053	Principal Accountant
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APPENDIX A



**REVENUES & BENEFITS SHARED  
SERVICE**

**STATEMENT OF ACCOUNTS  
2013/14**

**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 2014. 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 2013/14 (the Code):

- **Statement of Responsibilities:** sets out the respective responsibilities of the Council 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.
- **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.
- **Income and Expenditure Statement:** brings together expenditure and income relating to all the Partnership's functions.
- **Balance Sheet:** sets out the financial position of the Shared Service at 31st March 2014.
- **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 Benefit and Council Tax Support for both Preston City Council and Lancaster City Council under a Joint Committee.

The service commenced on the 1<sup>st</sup> 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 2013/14 financial year and comparison to budget are set out below:

	Latest Budget £'000	Actual £'000	Variance £'000
<b>Service Expenditure</b>			
Management	133	134	1
Business Rates	317	322	5
Council Tax	915	883	(32)
Operations	500	480	(20)
Housing Benefits	2,440	2,364	(76)
<b>Service Expenditure Total</b>	<b>4,305</b>	<b>4,183</b>	<b>(122)</b>
<b>Income</b>			
Fylde Borough Council	92	91	(1)
Preston City Council	2,081	2,046	(35)
Lancaster City Council	2,107	2,046	(61)
<b>Income Total</b>	<b>4,280</b>	<b>4,183</b>	<b>(97)</b>
<b>Total</b>	<b>25</b>	<b>-</b>	<b>(25)</b>

Elements of the Shared Service budget for 2013/14 were adjusted during the year for Grant income and expenditure. The Preston City Council income budget was kept constant as it nets out within Preston City Councils accounts as an internal recharge, as a result it is £26k lower than the Lancaster budget.

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 during 2013/14. Where variances arise between budget and outturn, these would also be shared equally.

The Shared Service has an underspend against the budgeted expenditure of £122k. This underspend was mainly due to:

Variance		
£'000		
(126)	(F)	underspend on employee costs
(5)	(F)	underspend on training costs
(5)	(F)	underspend on employee insurances
6	(A)	overspend on telephones
6	(A)	overspend on direct ICT charges
5	(A)	overspend on professional fees
(3)	(F)	other
<u>(122)</u>	<u>(A)</u>	

The major variance is the underspend of £126k on employee costs. This is due to employees leaving during the year and the vacant post not being filled in order to smooth the transition to the 2014/15 budget savings.

<b>Expenditure by Council</b>	£'000
Preston City Council	4,088
Lancaster City Council	95
	<u>4,183</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.

**5. Capital Expenditure**

The Shared Service does not own any assets and did not incur any capital expenditure during 2013/14.

**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 Preston City Council.

**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. For Preston City Council the officer is the Deputy Chief Executive. For Lancaster City Council the officer is the Head of Resources;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets

**The Chief Financial Officer's Responsibilities.**

The Deputy Chief Executive and Head of Resources are responsible for the preparation of the Councils Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance & Accountancy)/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Code of Practice on Local Authority Accounting in United Kingdom (the Code).

In preparing this Statement-of Accounts, the Deputy Chief Executive and Head of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- 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 2014.

Signed

Chair of the Joint Committee

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

N. Muschamp  
Section 151 Officer  
Lancaster City Council

Date



## Statement of Accounting Policies

### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at 31 March 2014. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and the Service Reporting Code of Practice 2013/14 (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. 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 Council 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 Council.
- 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. 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 Council 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 4.4% 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 Council 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.

## **5. Provisions**

Provisions are made where an event has taken place that gives the Council 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 the Net Cost of Services 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 Council).

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 them.

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 Council when there is reasonable assurance that the Council 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**

**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.

**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 Council. All reserves are usable reserves.

**Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents.

## Comprehensive Income &amp; Expenditure Statement

	Note	2012/13 £'000	2013/14 £'000
<b>Service Expenditure</b>			
Management		130	134
Business Rates		297	322
Council Tax		1,019	883
Operations		520	480
Housing Benefits		2,340	2,364
Net Operating Expenditure		<u>4,306</u>	<u>4,183</u>
<b>Service Income</b>			
Fylde Borough Council		91	91
Lancaster City Council		2,087	2,046
Preston City Council		2,079	2,046
Total Sources of Finance	1	<u>4,257</u>	<u>4,183</u>
Surplus/Deficit for the year	1	<u>(49)</u>	<u>-</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.

## Balance Sheet

	Note	As at 31st March 2013- £'000	As at 31st March 2014 £'000
Debtors		44	140
Cash		142	63
<b>Total Current Assets</b>		<u>186</u>	<u>203</u>
Creditors	2	186	203
<b>Total Current Liabilities</b>		<u>186</u>	<u>203</u>
<b>Net Assets</b>		<u>-</u>	<u>-</u>

## Cash Flow

	2012/13 £'000	2013/14 £'000
<b>Surplus/deficit for the year</b>	<u>-49</u>	<u>-</u>
(Increase)/decrease in debtors	21	-96
Increase/(decrease) in creditors	19	17
<b>Net cash inflow/(outflow) from operating activities</b>	<u>40</u>	<u>-79</u>
<b>Net increase/(decrease) in cash</b>	<u>-9</u>	<u>-79</u>

**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.

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.

**2. Creditors**

At the year-end £1,064 is owing to sundry creditors and a further £202,287 is accrued for transactions that relate to 2013/14.

**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 2013/14 £'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 Councils	- 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**

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.

**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 30<sup>th</sup> June 2014.

**Glossary**

**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 Council's spending plans for revenue and capital expenditure over a specified period of time.

**Creditors**

Amounts owed by the Council 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 Council for work carried out, services rendered or goods provided by the Council 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 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 an Council in return for past or future compliance with certain conditions relating to the activities of the Council.

**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.