



REVENUES & BENEFITS SHARED SERVICE

STATEMENT OF ACCOUNTS 2014/15

**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 2015. 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 2014/15 (the Code):

Core Financial Statements:

•**Movement in Reserves Statement:** this statement shows a summarised view of the movement in 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 2015.

•**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 2014/15 financial year and comparison to budget are set out below:

	Latest Budget £'000	Actual £'000	Variance £'000	
Service Expenditure				
Management	163	176	13	(A)
Business Rates	327	318	(9)	(F)
Council Tax	980	970	(10)	(F)
Operations	450	442	(8)	(F)
Housing Benefits	2,306	2,201	(105)	(F)
Service Expenditure Total	4,226	4,107	(119)	(F)
Income				
Fylde Borough Council	92	77	(15)	(F)
Preston City Council	1,980	2,015	35	
Lancaster City Council	2,061	2,015	(46)	
Income Total	4,133	4,107	(26)	
Total	93	-	(93)	

Elements of the Shared Service budget for 2014/15 were adjusted during the year mainly for grant income/expenditure and voluntary redundancy payments. 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 £81k 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 2014/15. Where variances arise between budget and outturn, these would also be shared equally.

The Shared Service has an underspend against the budgeted expenditure of £119k. This underspend was mainly due to:

Variance £'000		
(85)	(F)	underspend on employee costs
(6)	(F)	underspend on training costs
(8)	(F)	underspend on print and post costs
(9)	(F)	underspend on direct ICT charges
(11)	(F)	other minor underspends
<u>(119)</u>	<u>(F)</u>	

The major variance is the underspend of £85k 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 budget savings required to be achieved from the start of the 2015/16 financial year. The natural turnover of staff has also contributed to this underspend, as it will each year.

Expenditure by Council	£'000
Preston City Council	4,051
Lancaster City Council	<u>56</u>
	<u>4,107</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 2014/15.

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:

J. Wilding,
City Treasurer and 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. In this authority, 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 2015.

Signed

Chair of the Joint Committee

J. Wilding
Section 151 Officer
Preston City Council
(Host Council)

N. Muschamp
Section 151 Officer
Lancaster City Council

Date

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

2013/14 £'000		Note	2014/15 £'000
	Service Expenditure		
134	Management		176
322	Business Rates		318
883	Council Tax		970
480	Operations		442
2,364	Housing Benefits		2,201
<u>4,183</u>	Net Operating Expenditure		<u>4,107</u>
	Service Income		
91	Fylde Borough Council		77
2,046	Lancaster City Council		2,015
2,046	Preston City Council		2,015
<u>4,183</u>	Total Sources of Finance	2	<u>4,107</u>
<u>-</u>	Surplus/Deficit for the year	2	<u>-</u>

Balance Sheet

As at 31st March 2014 £'000		Note	As at 31st March 2015 £'000
140	Debtors		178
63	Cash	3	-20
<u>203</u>	Total Current Assets		<u>158</u>
203	Creditors	4	158
<u>203</u>	Total Current Liabilities		<u>158</u>
<u>-</u>	Net Assets		<u>-</u>

Cash Flow

2013/14 £'000		2014/15 £'000
<u>-</u>	Surplus/deficit for the year	<u>-</u>
(96)	Increase in debtors	(38)
17	Increase/(decrease) in creditors	(45)
<u>(79)</u>	Net cash outflow from operating activities	<u>(83)</u>
<u>(79)</u>	Net decrease in cash	<u>(83)</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 2014/15 financial year and its position at 31 March 2015. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15 (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 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 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.

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.

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 £32 is owing to sundry creditors and a further £158,447 is accrued for transactions that relate to 2014/15.

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 2014/15 £'000
Assistant Director Head of Revenues & Benefits	65	12	77

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	- Benefits Fraud and 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 the 30th June 2015.

GLOSSARY

Accounting Policies

These specify how transactions and other events should be 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.