

Report to Joint Committee Meeting to be held on 23rd July 2018	Electoral Ward Affected All
Report submitted by : City Treasurer (Preston City Council)	
SHARED SERVICE (UNAUDITED) ANNUAL STATEMENT OF ACCOUNTS 2017/18	

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 2018.
- 1.2 This Partnership prepared its 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 the United Kingdom (the Code) 2017/18.

2. Decision Required

- 2.1 To approve the unaudited Revenues and Benefits Statement of Accounts for 2017/18 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 2017/18 main Statutory Accounts of both Councils.
- 3.3 The Accounts represent all of the income and expenditure occurred by the Shared Service between 1st April 2017 and 31st March 2018. 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 2017/18 has been achieved.

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 2017/18	23 rd July 2018	Preston City Council, Section 151 Officer

Contact for further information:

Stephen Cox	Tel. 01772 906053	Principal Accountant
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REVENUES & BENEFITS SHARED SERVICE

STATEMENT OF ACCOUNTS 2017/18

**LANCASTER CITY COUNCIL
PRESTON CITY COUNCIL**

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Narrative Report

1. 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.

2. Financial Performance of the Shared Service 2017/18

a. Revenue Budget

The outturn for the 2017/18 financial year and comparison to budget are set out below:

	Latest Budget £'000	Actual £'000	Variance £'000	
Service Expenditure				
Management	169	162	(7)	(F)
Business Rates	449	502	53	(A)
Council Tax	935	936	1	(A)
Operations	339	332	(7)	(F)
Housing Benefits	1,680	1,616	(64)	(F)
Service Expenditure Total	3,572	3,548	(24)	(F)
Income				
Fylde Borough Council	(5)	(2)	3	
Preston City Council	(1,778)	(1,773)	5	
Lancaster City Council	(1,798)	(1,773)	25	
Income Total	(3,581)	(3,548)	33	
Total	(9)	0	9	

Notes:

(F) - Favourable Variance

(A) - Adverse Variance

The actual Shared Service expenditure for 2017/18 was £3,548k.

The Joint Committee approved a Shared Service expenditure budget for 2017/18 of £3,590k (excluding Fylde Borough Council income) in December 2016. This has since been adjusted during the year for:

- £40k of ongoing vacant posts within the Shared Service have been released.

- Funding has been received from the Department of Work and Pensions. This has increased budgets by £20k (one-off) and incurred matching costs for ICT projects.
- Apprentice tax costs have been brought into the shared service, these have been offset by employee insurance savings with a net cost of £2k ongoing.

The final 2017/18 expenditure budget was £3,572k

The £9k variance between budgeted income and expenditure (in the outturn table above) was due to differences in the way budgeted income was accounted for:

- Preston's income budget was £20k higher than Lancaster's as Preston's share of the £40k vacant post reduction was not removed. Preston's budgets are kept constant and balance to nil within Preston City Council's accounts as an internal recharge.
- Neither budget was adjusted for the change to the apprentice tax (-£11k impact)

Both Councils agreed that actual costs associated with the Shared Service, including variances between budget and outturn, would be shared equally.

All external grant income received from both Councils, transferred to the Shared Service, has been allocated as part of the financing of the Shared Service.

During 2017/18 both Councils paid an equal amount into the Shared Service of £1,773k.

The Shared Service underspent its original budget for 2017/18 of £3,590k by £42k.

The Shared Service underspent its latest budget for 2017/18 of £3,572k by £24k. This underspend was mainly due to:

Variance		
£'000		
(9)	(F)	underspend on employee costs
(29)	(F)	underspend on print and post costs
15	(A)	overspend on ICT
<u>(1)</u>	(F)	other minor underspends
<u><u>(24)</u></u>	(F)	

In addition to the £40k underspend on vacant posts that was identified mid-year, a further £9k was underspent on employee costs due to the natural turnover of staff.

Print and post along with ICT costs are the largest non-staffing expenditure incurred by the Shared Service. The costs for these oscillate year-to-year depending on the activities the service undertakes at the time. All costs are under constant review to ensure that they are minimised, with budgets adjusted to reflect future anticipated spend.

b. Expenditure Split by Council

	£'000
Preston City Council	3,501
Lancaster City Council	<u>47</u>
	<u><u>3,548</u></u>

Preston City Council's expenditure was significantly higher than Lancaster City Council's because, as the Host Council, it employs the Revenues and Benefits staff.

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

c. Capital Expenditure

The Shared Service does not own any assets and did not incur any capital expenditure during 2017/18.

d. 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 Pensions Partnership (LPP), 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.

e. Accounting for the Partnership

All transactions of the Shared Service are accounted for within the accounts of one of the partner Councils. The information within these Shared Service Statement of Accounts has been extracted from the partner's financial records.

The partnership is classed as a Jointly Controlled Operation between Preston City Council and Lancaster City Council.

3. Explanation of the Financial Statements

The Shared Service Statement of Accounts sets out the Shared Service's income and expenditure for the year, and its financial position at 31 March. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) and the Service Reporting Code of Practice 2017/18 (SeRCOP) and comprises core and supplementary statements.

a. The Core Financial Statements:

- **Income and Expenditure Statement:** this statement shows the accounting cost in the year of providing services in accordance with general accounting practices rather than actual cost of services funded through taxation.
- **Movement in Reserves Statement:** this statement shows a summarised view of the movement in year on the different reserves held by the Shared Service.
- **Balance Sheet:** this sets out the Shared Service's assets and liabilities as at 31st March 2018 and how these are funded.
- **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.

b. The Supplementary Financial Statements:

- **Statement of Responsibilities for the Statement of Accounts:** identifies the officers who are responsible for the proper administration of the Shared Service's financial affairs.
- **Annual Governance Statement:** gives assurance on effectiveness of the Shared Service's Governance arrangements including its monitoring and evaluation of its code of governance and highlighting any planned changes in the coming period. This statement is included as a separate report to the Joint Committee.
- **Glossary:** an explanation of some of the key technical terms used in these Statement of Accounts.

4. Conclusion

In conclusion, the Shared Service has a proactive approach to financial forecasting and budget management with extensive systems and procedures in place. In 2017/18 the Shared Service has in overall terms achieved its financial targets and aspirations and has worked successfully within reduced budgets to deliver services.

5. Access to further information

If you would like to receive further information about the Statement of Accounts please contact Accountancy Services at Preston Town Hall, Lancaster Road, Preston, PR1 2RL.

Jackie Wilding
City Treasurer
(Section 151 Officer)

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 Councils, 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 Partnership's Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance & Accountancy) 2017/18 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) have:

- 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
- 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 Partnership at the reporting date and of its expenditure and income for the year ended 31 March 2018.

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

Introduction to the Core Financial Statements

The Statement of Accounts contain a number of different elements which are explained below:

Comprehensive Income & Expenditure Statement

This 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. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

Movement in Reserves Statement

This statement is intended to show the movement from the start of the year to the end on the different reserves held by the Shared Service. As the Shared Service does not have reserves, this statement does not apply.

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 has nil net assets and nil 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.

Income and Expenditure Account

2016/17 £'000		Note	2017/18 £'000
	Service Expenditure		
158	Management		162
385	Business Rates		502
935	Council Tax		936
342	Operations		332
1,750	Housing Benefits		1,616
<u>3,570</u>	Net Operating Expenditure		<u>3,548</u>
	Service Income		
4	Fylde Borough Council		2
1,783	Lancaster City Council		1,773
1,783	Preston City Council		1,773
<u>3,570</u>	Total Sources of Finance	2	<u>3,548</u>
<u>-</u>	Surplus/Deficit for the year	2	<u>-</u>

Balance Sheet

As at 31st March 2017 £'000		Note	As at 31st March 2018 £'000
101	Debtors		84
(42)	Cash		(5)
<u>59</u>	Total Current Assets		<u>79</u>
59	Creditors	4	79
<u>59</u>	Total Current Liabilities		<u>79</u>
<u>-</u>	Net Assets		<u>-</u>

Cash Flow Statement

2016/17 £'000		2017/18 £'000
<u>-</u>	Surplus/deficit for the year	<u>-</u>
(51)	(Increase)/decrease in debtors	17
(68)	Increase/(decrease) in creditors	20
<u>(119)</u>	Net cash inflow/(outflow) from operating activities	<u>37</u>
<u>(119)</u>	Net increase/(decrease) in cash	<u>37</u>

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Shared Service's transactions for the 2017/18 financial year and its position at 31 March 2018. The accounts are prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), supported by International Financial Reporting Standards (IFRS).

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

ii. 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 Shared Service 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 Shared Service.
- 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.

iii. Employee Benefits

a. Short-term Employee Benefits

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

b. 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 and are charged on an accruals basis to the service lines in the Comprehensive Income and Expenditure Statement.

c. Retirement Benefits

Employees of the Shared Service are employed by Preston City Council and contribute at the Preston City Council rate into the Local Pensions Partnership (LPP). The scheme provides defined benefits to members, earned as employees work for the Council.

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 Council's 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 earnings for current employees. Liabilities are discounted to their value at current prices, using a real discount rate determined by reference to market yields.

- The assets of the pension fund attributable to the Shared Service are included in Preston City Council's Balance Sheet at their fair value.

It is impossible to determine the Shared Service's share of assets and liabilities of the Local Pensions Partnership 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.

iv. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and adverse, 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.

v. 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, for which a reliable estimate can be made of the amount of the obligation.

The Shared Service currently has no provisions.

vi. Reserves

The Councils set 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 use by the Shared Service when appropriate expenditure is incurred.

vii. 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.

viii. Government Grants and Contributions

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 Shared Service 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.

ix. Central Support Service Overheads

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

x. Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Shared Service. Creditors are the Shared Service's only financial liabilities. These are disclosed on the Balance Sheet at amortised cost.

xi. Financial Assets

A financial asset is a right to future economic benefits controlled by the Shared Service. Debtors are the only financial assets and are included in the Balance Sheet at cost.

2. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources. It shows how this expenditure is allocated for decision making purposes between the Shared Service's departments.

As the Shared Service contains a single segment (providing Revenues and Benefits Services), this statement does not apply.

3. Income and Expenses for Constituent Councils

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

Support service charges from the two Councils are absorbed in each Council's own accounts and are not recharged into the Shared Service.

The IAS 19 pension adjustments are absorbed in Preston City Council's accounts.

4. Cash and Cash Equivalents

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

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

5. Creditors

At the year end £79,344 was accrued for transactions that relate to 2017/18.

6. 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 2017/18 £'000
Head of Shared Service & Deputy Director Customer Services	68	10	78

7. 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

8. Ultimate Controlling Partner

Neither of the partners has ultimate control of the Shared Service.

9. 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 Authority's main Statement of Accounts which are subject to external audit.

10. Leases

The Shared Service has not entered into any leasing arrangements.

11. Date Accounts Authorised for Issue

The Statement of Accounts includes any necessary disclosures in respect of events after the Balance Sheet date up to 23rd July 2018.

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.

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.

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.

International Financial Reporting Standards (IFRS)

Defined Accounting Standards that must be applied by all reporting organisations to their financial statements, in order to provide a true and fair view of the organisation's financial position, and enable a direct comparison with financial statements of other organisations.

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.