

Report to: Shared Revenues & Benefits Service - Joint Committee	Electoral Ward Affected ALL
Meeting to be held on 26 July 2021	
Report submitted by: Director of Resources (Preston City Council)	
Report Title: SHARED SERVICE – ANNUAL GOVERNANCE STATEMENT 2020/21 Shared Revenues and Benefits Service (‘Appendix A’ refers)	

1. Summary

- 1.1 This report requests that the Shared Revenue and Benefits Service Joint Committee considers and approves the Annual Governance Statement for 2020/21. The Annual Governance Statement is set out in **Appendix A** to this report.

2. Decision Required

- 2.1 The Joint Committee is requested to:

- (i) Approve the Annual Governance Statement for 2020/21, as set out in **Appendix A** to this report.

3. Information

- 3.1 The Shared Revenue and Benefits Service Joint Committee (“Joint Committee”) serving both Councils (Lancaster and Preston), operates under a Local Code of Governance via the host authority (Preston), which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government Framework “the Framework”.

- 3.2 In line with good practice and CIPFA principles in relation to the effectiveness of internal control at each authority, it is considered appropriate for the Joint Committee to approve an Annual Governance Statement for 2020/21, to accompany the (unaudited) Annual Statement of Accounts 2020/21.

- 3.3 The Framework offers guidance that a Governance Statement should cover all the significant corporate systems, processes and controls, spanning the whole range of the authorities activities, including in particular those designed to ensure that:

- The Partner Authorities have maintained an adequate system of internal control
- Measures are in place to prevent and detect fraud and corruption
- The authorities policies are implemented in practice
- High quality services are delivered efficiently and effectively
- The authorities 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 2020/21, the Joint Committee 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 for 2020/21 has been produced taking into account the guidance and best practice contained within the Framework, and is set out in **Appendix A** to this report.

3.6 A summary table documenting recent housing benefit subsidy and any internal audit work undertaken in relation to the Shared Service is provided in **Appendix B** as further assurance. Unfortunately audit work in relation to the Shared Service was suspended during 2020/21, given the Covid-19 pandemic with resources switched to priority areas. In the circumstances other assurance information is provided in relation to complaints and business grants.

3.7 The Covid-19 pandemic had a significant impact upon day to day activity and it was paramount that both Councils ensured that governance arrangements were robust and effective in order to respond to the global pandemic. Additional governance arrangements were put in place to strengthen governance, for example:-

- Procedures/processes introduced to allow the majority of the workforce to work remotely,
- Assurance arrangements put in place to mitigate the financial risk when paying significant numbers of business grant
- Procedures to pay business grants and discretionary grants

3.8 An extract of the Risk Log is provided in **Appendix C** as further assurance, detailing mitigation in relation to the two main risks that would have a significant impact for the Shared Service.

4. Implications

4.1 Financial planning and management is a key component of effective corporate governance. All financial implications are reflected in the (Unaudited) Annual Statement of Accounts 2020/21, also on the agenda for consideration by the Joint Committee.

4.2 Ensuring staff are adequately trained and professionally competent is key to meeting the core needs of the CIPFA/SOLACE guidance.

4.3 Risk is intrinsic to the system of internal audit and governance and mitigation of those risks are covered within the Business Plan 2021-23.

**REVENUES & BENEFITS SHARED SERVICE
ANNUAL GOVERNANCE STATEMENT
2020/21**

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 “Delivering Good Governance in Local Government Framework” 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 Framework 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 both 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 provided to the Joint Committee by the S151 Officers at both Lancaster City Council and Preston City Council. The Director of Resources at Preston City Council is considered 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 key service objectives in the new 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 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:
Major disruption to IT systems and availability of resources
 - Covid-19:
Inability to meet statutory requirements and to meet customer expectations in relation to Revenues & Benefits.
- 6.2 The Risk Register has been reviewed as part of the process of compiling the SSBP and the Plan contains a range of actions aimed at mitigating these risks. An extract from the Risk Register is provided at **Appendix C**.

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, which
- 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. e.g. Universal Credit

8. Scrutiny & Audit

- 8.1 Accounts relating to the Shared Service are 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 The internal audit service is delivered by an in-house team operating to professional standards as set out in the Public Sector Internal Audit Standards. Internal audit for the Shared Service was previously predominantly provided by the Lancaster City Council Internal Audit service, assisted by the Preston team when required, but it has been agreed to share the workload over the next 12 months. Where appropriate, reports are issued separately to the Audit Committee of each partner authority.
- 8.3 In 2020/21 audit work was severely impacted as a result of the Covid-19 pandemic with both audit and shared service resources switched to priority areas. However, previous audits provide positive assurance statements regarding the systems, policies and procedures operated by the Shared Service, without any significant control issues or failures having been identified. Latest assurance statement can be found at **Appendix B** and includes additional information on complaints and business grants.
- 8.4 The two Councils work to different assurance scales:
- Preston: Full; Substantial; Reasonable; Limited; Minimal
 - Lancaster: Maximum; Substantial; Limited; Minimal
- 8.5 During 2020/21 it was paramount that both Councils ensured that governance arrangements were robust and effective in order to respond to the global pandemic. Additional governance arrangements were put in place, for example:-
- Procedures/processes introduced to allow the majority of the workforce to work remotely,
 - Assurance arrangements put in place to mitigate the financial risk when paying significant numbers of business grant
 - Procedures to pay business grants and discretionary grants

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 The Business Plan contains performance data to show performance against agreed targets together with draft financial statements. Any service issues will be outlined for Members’ consideration.
- 9.3 Officers strive for continuous improvement and review lessons learned from previous financial years.

Signatures

Chair of the Shared Services Joint Committee: _____

S151 Officers of the Partner local authorities: _____ (Lancaster)

_____ (Preston)

26 July 2021

**Revenues & Benefits Shared Service
Subsidy Assurance & Internal Audit Reports Issued 2020/21 and additional evidence:**

Note: The two Councils work to different assurance scales:

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

DWP Subsidy: Preston / Lancaster “Certified” in relation to approved subsidy claim

Job No	JOB_TITLE	Report Date	Assurance Opinion	Assurance Opinion Text
DWP - BENEFITS:				
2019/20	DWP Subsidy Audit (Lancaster)	12/07/21	Certified	Following receipt of the 2019/20 claim: DWP confirmed no issues identified, claim was certified with no qualification. (£25m subsidy payment)
	(Preston)	24/03/21	Certified	DWP confirmed no issues identified, claim was certified with no qualification. (£36m subsidy payment)

Internal Audit Work:

For the 2020/21 financial year, audit work in relation to the Shared Service was severely impacted as a result of the Covid-19 pandemic with both audit and shared service resources switched to priority areas.

Complaints Data 2020/21:

Lancaster

12 complaints received (10 Revenues and 2 Benefits – mainly grant related)
5 of the complaints were upheld, and 5 went to Stage 2, of which none were upheld
No complaints went to the Local Govt Ombudsman
By comparison, 10 complaints with 1 upheld for the previous year (2019.20)

Preston

9 complaints received (7 Revenues & 2 Benefits – mainly grant related)
5 of the complaints were upheld, and none went to Stage 2.
No complaints went to the Local Govt Ombudsman
By comparison, 5 complaints with 3 upheld for the previous year (2019/20)

Covid Business Grants Paid Out: (minimal error rate detected)

	Lancaster	Preston
	£m	£m
Retail and Small Business Grants	30.82	32.55
Local Restrictions support Grant	16.39	15.46
Restart Grants	<u>8.37</u>	<u>7.97</u>
	55.58	55.98
Discretionary Grants	<u>5.95</u>	<u>5.92</u>
Total Grant Distribution	<u>61.53</u>	<u>61.90</u>

**EXTRACT OF SHARED SERVICE RISK LOG 2020/21
REVENUES & BENEFITS**

	Risk Description	Likelihood	Impact	Mitigation
1.	ICT & Systems - Major disruption to IT systems	Low	Critical	<ul style="list-style-type: none"> • Maintenance contracts in place with demanding service levels. • Installation Procurement of improved new connection between the two Councils • Business continuity plans developed and tested. Resources utilised for home working arrangements. • PRINCE2 accredited ICT project managers. • Regular updates and de-briefs between project leaders, the project manager and heads of service. • Dedicated Account Managers for high profile systems. • Procured Capita Remote Support for Academy Systems. • Disaster Recovery testing frequently carried out
2.	Covid-19 – Inability to meet statutory requirements and to meet customer expectations in relation to Revenues & Benefits.	Medium	Significant	<ul style="list-style-type: none"> • Robust policies in place to meet the needs of the Community and public information provided • Regular budget management of grant allocation • Continuously review staffing structure to ensure it remains fit for purpose. • Home working plans in place, adequately resourced • Contingency plans in place to enable input of additional resources from either site to minimise risk • Transfer of staff to priority tasks • Review recovery policy and set realistic performance targets in relation to collection • Partnership working with internal and external organisations and keep members onboard and informed • Overview by S151 Officers, Members, Joint Committee

