



# **South Ribble & Chorley Financial & Assurance Shared Services Partnership**

## **STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2009**

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# Independent Auditors Report

# Explanatory Foreward

## 1. Explanation of the Financial Statements

The Joint Committees Statement of Accounts shows the overall financial position of the South Ribble & Chorley Financial & Assurance Shared Services Partnership at the 31<sup>st</sup> March 2009. This foreword provides a summary of the key matters reported in the Accounts. The Accounts comprise the following statements that have been prepared in accordance with the Code of Practice on Local Authority Accounting In Great Britain.

- **Statement of Responsibilities**, which sets out the respective responsibilities of the Authority and the Chief Finance Officer for the accounts.
- **Statement of Accounting Policies**, which explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts.
- **The Annual Governance Statement.** The Chairman of the Joint Committee, Treasurer, and Secretary, supported by the Heads of Shared Assurance Services and Shared Financial Services, have responsibility to ensure that proper governance arrangements are in place for the Partnership. This means having:
  - An effective system of Internal Control; and
  - Proper management of the risks that might prevent the Partnership achieving its stated aims, objectives and priority outcomes.
- **Income and Expenditure Account**, which brings together expenditure and income relating to all the Partnership's functions.
- **Statement of Movement on the General Fund Balance**, a reconciliation statement that summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.
- **Statement of Total Recognised Gains and Losses**, which demonstrates how the movement in the net worth in the Balance Sheet reconciles to the Income and Expenditure Account deficit/surplus.
- **Balance Sheet**, which sets out the financial position of the Joint Committee at 31<sup>st</sup> March 2009.
- **Cash Flow Statement**, which 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 Joint Committee.

## 2. Introduction

The Financial and Assurance Shared Services Partnership was established in January 2009 under an Administrative Collaboration Agreement entered into by South Ribble and Chorley Borough Councils. Under this agreement the two Councils are collaborating in the provision of the following services across the administrative areas of the two Councils.

- Accountancy
- Exchequer
- Treasury Management
- Procurement
- Assurance Services including internal audit, risk management, business continuity and insurance services

These services are provided by staff employed by each council on the following basis

- **Chorley Borough Council** – Shared Head of Financial Services, accountancy, exchequer and procurement services. There is a single shared service team based at Chorley covering financial accounting, treasury management & exchequer services, together with a management accounting teams based in each authority.
- **South Ribble Borough Council** – Shared Head of Assurance Services comprising internal audit, risk management, business continuity and insurance administration.

Pursuant to Sections 101, 102, 112 and 113 of the Local Government Act 1972, and Sections 2 and 19 of the Local Government Act 2000 and all other enabling powers howsoever arising the Councils have agreed to arrange for a Joint Committee to discharge their functions of providing the services detailed in the Agreement.

### 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 Joint Committee came into being in January 2009 and started to incur costs from that date. Accordingly the budget was approved for the 3 month period ending 31<sup>st</sup> March 2009 with expenditure and recharges relating to this.

In this early period of operation the focus for the Joint Committee has been to bed down the core services whilst ensuring that these continue to be provided to a high standard with as little disruption as possible to users and customers of the services. A key target for the partnership has been to ensure an orderly close down of the accounts for the Joint Committee, and each authority individually, in accordance with all statutory and internal reporting requirements.

The Joint Committee set an original budget in January 2009 of £409,360. Actual expenditure was £399,210 representing an underspend for the year of £10,150 arising from net savings in salary costs for vacant posts not appointed to in the new structure. This saving has resulted in a proportionate reduction in the cost charged to each Council.

The main components of the budget for 2008/09 and how these compare with actual expenditure are set out below:

	<b>Budget £</b>	<b>Actual £</b>	<b>Variance £</b>
<b>Expenditure</b>	409,360	399,210	(10,150)
<b>Recharged to:</b>			
Chorley B.C	212,130	207,353	(4,777)
South Ribble B.C.	197,230	191,857	(5,373)
<b>Total Recharged</b>	<b>409,360</b>	<b>399,210</b>	<b>(10,150)</b>

## 5. Capital Expenditure

The Joint Committee does not own any assets and did not incur any capital expenditure in discharging its functions.

## 6. Retirement Benefits

All employees employed in the provision of the Joint Committee's services are employees of the either South Ribble Borough Council or Chorley Borough 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 both Councils.

## 7. Further Information

Further information about the accounts is available from:

Gary Hall BA CPFA,  
Assistant Chief Executive (Business Transformation and Improvement),  
Town Hall,  
Chorley,  
PR7 1AL

## **Statement of responsibilities for the Statement of Accounts**

### **8. 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. This officer is the Assistant Chief Executive (Business Transformation and Improvement) at Chorley.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of Accounts

#### **The Responsibilities of the Assistant Chief Executive (Business Transformation and Improvement) of Chorley Borough Council**

This officer is responsible for the preparation of the Partnership's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain is required to present fairly the financial position of the Partnership at the accounting date and its income and expenditure for the year ended 31 March 2009.

In preparing this statement of accounts, the Assistant Chief Executive 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

The Assistant Chief Executive has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

#### **CERTIFICATE OF THE ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION AND IMPROVEMENT)**

**I certify that the Statement of Accounts presents fairly the financial position of the South Ribble and Chorley Financial and Assurance Shared Services Partnership as at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.**

Gary Hall BA CPFA

ASSISTANT CHIEF EXECUTIVE

(BUSINESS TRANSFORMATION AND IMPROVEMENT)

# **Annual Governance Statement**

## **1. Scope of Responsibility**

The role of the Shared Services Joint Committee (under S101(5) and S102 of the Local Government Act 1972 and S19 and S20 of the Local Government Act 2000 and all other enabling powers) is to discharge the Chorley and South Ribble councils' functions of providing the services detailed in the Shared Services Agreement. To ensure that it carries out its functions effectively the Shared Services Joint Committee requires robust reporting and performance management arrangements that meet its own requirements and those of the partner authorities. The Terms of Reference of the Shared Services Joint Committee include:

- a. To monitor, review and make recommendations to both councils on the administrative arrangements and performance of those council services the subject of the Financial and Assurance Shared Services Partnership.
- b. To determine a Resource Plan not less than 60 'business' days before the start of the next financial year.

The Joint Committee is not a free standing organisation in its own right but has put in place appropriate arrangements for the good governance of its affairs. It also draws upon the established good governance practice of South Ribble and Chorley Councils. The CIPFA/SOLACE Code of Corporate Governance 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 Councils, for ensuring that there are sound systems of internal control in place to facilitate the effective exercise of their functions, which includes the arrangements for the management of risks and for maintaining high standards of corporate governance.

Reference should be made to the respective financial statements of each partner authority for full details of their corporate governance arrangements.

## **2. The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, the culture and values by which the Joint Committee and each authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables each to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A governance framework has been in place at both Chorley and South Ribble Councils for the year ended 31 March 2009 and up to the date of approval of their annual reports and statements of accounts.



### 3. Our Governance Environment

The following paragraphs describe the key elements of the systems and processes that comprise each authority's governance arrangements:

#### ***Identifying & communicating the authority's vision of its purpose and intended outcomes for citizens and service users***

- a. The Corporate Strategy/Plan sets out the Council's vision, priorities and strategic objectives. These are derived from the respective Community Strategies, which clearly articulate a shared vision for each Council.
- b. Long term outcomes and interim performance targets have been established for each strategic objective.
- c. The Community Strategy and Corporate Strategy/Plan are published widely and are also available on the Councils' website.

#### ***Reviewing the authority's vision & its implications for the authority's governance arrangements***

- The Community Strategy and Corporate Strategy/Plan are regularly reviewed and the Councils' vision and strategic objectives have been refined to reflect changing aspirations, both locally and nationally.
- A performance management framework is in place for the Local Strategic Partnership providing clear arrangements for joint working, including specific LSP projects.

#### ***Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources***

- Service / Business Plans contain key projects that are geared towards achieving overall strategic objectives. They also contain challenging targets in respect of both national performance indicators and local performance targets.
- This system is in turn supported by individual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.
- Each Council monitors not only individual performance indicators, but also their combined effect on the achievement of strategic objectives. Reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate. This is supported by a robust data quality control system, which ensures the accuracy of the reported information.
- Performance against targets is monitored at officer and member levels, by each senior management team, Executive Cabinet and Scrutiny / Audit Committees.
- Both Councils achieved a maximum score of 4 for the 2008 Use of Resources assessment by the Audit Commission, which demonstrates that the above arrangements are effective.

#### ***Defining & documenting the roles & responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication***

- Each Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
- Policy and decision-making is facilitated through the Executive Cabinet supported by a framework of Statutory and Scrutiny Committees.
- Each Constitution also sets out the situations where senior officers of the Council can make decisions under delegated authority.

- Each Council publishes a Forward Plan containing details of key decisions to be made by the Council, its committees and chief officers under their delegated powers (and has specified what is significant expenditure in terms of the definition of a key decision).

***Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff***

- Each Council's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.
- Both members and officers have been extensively briefed on personal conduct and disclosure requirements.
- Appropriate systems have been established by each Council for officer disclosures.

***Reviewing & updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks***

- The Senior Officer with responsibility for Governance arranges for the review and re-adoption of the Council Constitution on an annual basis. This includes a review of Standing Orders, Contract Procedure Rules, Financial Procedure Rules and responsibilities for Functions.
- The standard member reporting procedure requires a consideration of risk for all significant decisions. This is also underpinned by a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational levels, the key elements of which are a Strategic Risk Register and service level risk assessments built into the service / business planning process.

***Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities***

- Each Council has appointed a Scrutiny / Audit Committee whose terms of reference extend to monitoring the Council's governance and risk management framework and include reviewing the adequacy of the governance framework.

***Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful***

- Each Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:
  - Monitoring Officer;
  - Section 151 Officer;
  - Internal Audit;
  - External Audit;
  - Performance management system
  - Legal Services.
- Each Council has a designated Governance Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, this officer will report to the full Council if he/she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration.
- Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

***Arrangements for whistle blowing and for receiving and investigating complaints from the public***

- Each Council has an up to date Whistle Blowing Policy, which has been widely publicised. All members of staff have been fully briefed on the Policy including how, and whom they should make a disclosure.
- Each Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.

***Identifying the development need of members and senior officers in relation to their strategic roles, supported by appropriate training***

- Formal induction programmes and training & development plans are in place for both members and senior officers.
- All senior officers participate in the corporate staff appraisal scheme.

***Establishing clear channels of communication with all sections of the community and other stakeholders ,ensuring accountability and encouraging open consultation***

- Up to date strategies are in place in respect of communications, marketing and consultation.

***Incorporating good governance arrangements in respect of partnerships and other group working as identified in the Audit Commission's report on the governance of partnerships, and reflecting these in the authorities overall governance arrangements***

- Each Council has taken steps to communicate the required minimum governance requirements in respect of its key partnerships.

#### **4. Joint Committee Arrangements**

In addition to the well established procedures in each Council the Joint Committee itself has established arrangements to ensure effective governance of its affairs. These include:

- a. The Administrative Collaboration Agreement which sets the basis for the partnership and its operation. The terms of reference of the Joint Committee form part of this agreement as do detailed Service Level Agreements setting out the services to be provided and the quality requirements relating to these.
- b. Detailed performance management arrangements including:

***Timetable***

The Shared Services Joint Committee is required to hold its first meeting within one calendar month of the commencement date of the shared services arrangement, meet at least four times in a municipal year and, hold its annual general meeting within one calendar month of the later of the constituent councils' annual meetings. A detailed report will be presented to each meeting showing performance against agreed targets and outlining issues for member consideration.

In addition to these regular meetings the Heads of Shared Financial and Assurance Services will put into place their own ongoing performance management arrangements to monitor service provision on a more regular basis. They will summarise performance and report monthly to the Chief Finance Officers who will in turn report significant over and under performance to the respective Executive Portfolio Holders.

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.

### ***Scrutiny & Audit***

The accounts relating to the Joint Committee Services are subject of independent audit and shall be open to inspection by the Joint Committee and the Councils. A key role of the Shared Services 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.

### ***Resource Plan***

The Shared Services legal agreement requires that the Shared Services Joint Committee shall, by 30<sup>th</sup> November of each Financial Year, determine a Resource Plan for the next Financial Year. In order to do this the Shared Services Joint Committee shall receive all relevant reports and information by such dates that allow it to fulfil this requirement.

### ***Development of Service Plans***

Each year there is a requirement that the host authority completes an Annual Shared Financial Services Service Plan as required under the legal agreement. This work will be completed in accordance with agreed timescales each year and in line with the relevant committee cycles including those of the FSSA Partnership Joint Committee.

### ***Service Level Agreements***

Service Level Agreements' (SLAs) have been prepared for all services and form part of the legal agreement between the Councils. These set out the basis for services to be provided and the general reporting and performance management requirements.

## ***Shared Financial Services***

### **Performance Targets**

The SLA for Shared Financial Services includes accountancy, systems development, exchequer and procurement services. This provides that each year, and in conjunction with the development of the Annual Shared Financial Services Service Plan, a number of performance targets will be set. These targets will be reported on a quarterly basis to the Shared Services Joint Committee. The performance targets for 2008-2009, which will remain in force until a change is agreed, are contained in Appendix A2 to the Administration Collaboration Agreement. Any amendments to these will be approved by the Shared Services Joint Committee based upon officer recommendations.

In addition, the Head of Shared Financial Services will produce a monthly work report for the Chief Finance Officers and lead Executive Cabinet Members of each Council outlining the performance for that month. Where any major issues arise that could have direct implications on the delivery of the service requirements or could have negative impact on performance targets then these will be communicated to both Councils as soon as they are identified. Where necessary these should also be referred to the Joint Committee.

### **Key Reports**

With reference to the approved SLAs the following key reports will be provided for Shared Financial Services. These will be prepared in accordance with each Council's own procedures and to fit with any external and/or statutory requirements:

- An annually updated Financial Strategy (initially 3 years for Chorley and 4years for South Ribble).
- Reports and information necessary to set the Annual Budget and Council Tax.
- All revenue and capital budget monitoring reports.
- A report at the year-end setting out the final accounts for that year.
- A Procurement Policy and Procurement Strategy which shall be updated on annual basis.
- All reports shall go to the relevant Committee for each Council including Full Council, the Executive Cabinet, the Audit / Governance Committee and Scrutiny Committee as appropriate.

### ***Shared Assurance Services***

#### Performance Targets

The SLA for Shared Assurance Services is attached at Appendix B1 to the Administrative Collaboration Agreement, which includes audit, risk management and insurance services. Business continuity services will be provided to South Ribble Council only. This provides that each year, and in conjunction with the development of the Annual Shared Financial Services Service Plan, a number of performance targets will be set. These targets will be reported on a quarterly basis to the Shared Services Joint Committee. The performance targets for 2008-2009, which will remain in force until a change is agreed, are contained in Appendix B2. Any amendments to these will be approved by the Shared Services Joint Committee based upon officer recommendations.

In addition, the Head of Shared Assurance Services will produce a monthly work report for the Chief Finance Officers and lead Executive Cabinet Members of each Council outlining the performance for that month. Where any major issues arise that could have direct implications on the delivery of the service requirements or could have negative impact on performance targets then these will be communicated to both Councils as soon as they are identified. Where necessary these should also be referred to the Joint Committee.

#### Key Reports

With reference to the approved SLAs the following key reports will be provided for the Shared Assurance Services. These will be prepared in accordance with each Council's own procedures and to fit with any external and/or statutory requirements:

- An Annual Audit Plan by January in each year for the following financial year with quarterly updates against the work in the Annual Audit Plan, identifying significant changes.
- For 2009/10 an Audit Strategy/Charter to be reviewed on an annual basis thereafter.
- An Annual Report on the standards of internal control within two months following the year end, to inform each Authorities' own Annual Governance Statements, other governance documents and external inspection.
- An Annual Risk Management Strategy, and where required Risk Management Policy update, to The Audit Committee at Chorley and Governance Committee at South Ribble.
- For South Ribble Council only, an Annual Business Continuity Strategy and an Annual Business Continuity Action Plan (reviewed half yearly) setting out the critical service areas and the actions required.
- All reports shall go to the relevant Committee for each Council including Full Council, the Executive Cabinet, the Audit / Governance Committee and the Scrutiny Committee as appropriate.

## 5. Review of Effectiveness

Each partner authority has a responsibility to keep the effectiveness of its governance arrangements under review to demonstrate continuous improvement. This is informed by the work of members and senior management further supported by the internal audit service and also by the work of external auditors and other review agencies and inspectorates. The Council's Performance, Risk and Financial Management Frameworks and Our People strategy make a significant contribution to the review process.

Our robust governance arrangements are reflected in external assessments of Data Quality, Use of Resources, Investors in People and the Annual Audit Inspection report.

The annual corporate planning timetable ensures the timely integration of consultation, engagement, planning and reporting of the council's vision, emerging plans and supporting documents.

The Performance Management Framework aligns delivery of the Council's priorities and objectives with improvement projects and actions. It also imposes regular review and high level reporting of progress, which highlights those areas at risk of not being achieved so that remedial action can be taken. There are clear links between business, financial and organisational planning to ensure that resources are aligned to achieving the corporate objectives.

Key partnerships have been further developed to ensure they contribute to the achievement of both corporate and partnership objectives.

During 2008/9 risk management remained embedded and progress was regularly reported to the appropriate Scrutiny / audit Committee. Strategic and operational risk registers were reviewed and action plans developed to mitigate the key risks.

The completion of Management / Directorate Assurance Statements have strengthened each Council's assurance framework.

Internal Audit maintains excellent working relationships with Members, Senior Management and the Council's External Auditors to provide an integrated approach to the delivery of audit services. The Internal Audit Service adds value to the Council by reviewing financial and operational systems. It provides an independent opinion on the adequacy of risk control and, where necessary, makes recommendations to improve governance arrangements and the internal control system. All recommendations and improvement actions are agreed with senior management.

During 2008/9 the Policy & Service Review Scrutiny Committee at South Ribble and the Audit Committee at Chorley played a key role in the assurance gathering process by monitoring corporate governance and control matters. They reviewed the corporate risk register, risk mitigation action, received the external audit plan and report and monitored improvements in governance following external inspection and internal self-assessment exercises.

These Committees also received the annual and interim internal audit plan, an annual internal audit report and approved the Annual Governance Statement that provided assurance on the adequacy of the Council's control environment.

Each Council has an excellent standards regime in place and this is evidenced by the results of the previous Use of Resources assessments. During 2008/9 the role of the

Standards Committees and their procedures were revised to meet changes in legislation with the introduction of the local referral regime. Appointment of high calibre independent members, extensive training and promotion of standards in the press and on the Council websites, have been provided to further strengthen each Council's ethical governance arrangements.

Assurance can be taken from the work of the Council's external auditors as they issued an unqualified opinion on both Councils' financial accounts and a positive conclusion on value for money arrangements in September 2008.

Both Councils achieved a maximum score of 4 for the 2008 Use of Resources assessment by the Audit Commission, which demonstrates that their corporate governance arrangements are effective.

## **6. Enhancing our Governance Arrangements**

In line with their respective Local Codes of Corporate Governance, both Councils are committed to continuous improvement of their governance arrangements.

Each Council has the following plans in place for the coming year to take further steps to improve the following areas in order to build and strengthen their corporate governance arrangements.

### **South Ribble**

- Continue to review governance arrangements for key partnerships, including risk, finance, business continuity and ethical arrangements.
- Produce and implement action plans to strengthen the partnership arrangements and monitoring and reporting aspects.
- Enhance transaction and unit costing to improve value for money.
- Revise and educate officers on the standing orders for contracts.
- Further embed project management disciplines.
- Address any areas for improvement in financial controls that may be identified by the External Auditor in the Audit Memorandum and the ISA260 Communication.

### **Chorley**

- Ensure that a common vision and values are in place between the Council and each of its key commercial partnerships
- Develop fully the Council's working relationship with the local PCT in order to develop the 'health' outcomes contained within the Corporate Strategy
- Develop the committee reporting template to incorporate the environmental impact of policies, plans & decisions
- Provide clear terms of reference and feedback mechanisms for members working on outside bodies

- Ensure full compliance with recently adopted Information Management Policy
- Remind staff of their responsibilities to prevent and detect fraud & corruption and to comply with the Code of Conduct for Employees.

Each Council is satisfied that these actions will further enhance their corporate governance status and they will continue to review their implementation and operation.

**Cllr. C Clark**

Chair of the Shared Services Joint Committee

**G Hall**

Treasurer of the Shared Services Joint Committee

**M Wood**

Secretary to the Shared Services Joint Committee



## **Statement of Accounting Policies**

### **1. General Principles**

The Statement of Accounts summarises the Joint Committee's transactions for 2008/09 and its position at the year ended 31 March 2009. As far as is practical, it has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP)*, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised by statute as representing proper accounting practice. The Councils party to the Administration Collaboration Agreement are local authorities for the purposes of the Local Government Act 1972 and Best Value authorities for the purposes of the Local Government Act 1999.

In accordance with SORP paragraph 3.6 the Joint Committee is treated as being a Joint Arrangement That Is Not An Entity (JANE). The SORP states:

“ A reporting authority's investment in a structure with the appearance of a joint venture that is used only as a means for each participant to carry on its own business should account directly for its part of the assets, liabilities, income, expenditure and cash flows within or arising from that structure.”

### **2. Accruals of Income and Expenditure**

The revenue accounts of the Joint Committee are maintained on an accruals basis, which means that sums due to or from the Joint Secretariat during the year are included, whether or not the cash has actually been received or paid in the year. In particular:

Where income and expenditure has been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is included in the Balance Sheet.

Charges due from partner authorities are accounted for as income at the date the Joint committee provides the relevant goods or services.

### **3. Provisions**

In accordance with proper accounting practice, provisions are made where an event has taken place that gives the Joint Committee an obligation that probably requires settlement by a transfer of economic benefits, but where the amount and timing of the transfer is uncertain. Provisions are charged to the revenue account in the year when the Joint Committee becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Provisions are reviewed at the end of each financial year and if it becomes likely that a transfer of economic benefits will not be required, the provision is reversed and credited back to revenue. The Joint Committee does not currently have any provisions.

#### **4. Retirement Benefits**

Both Chorley and South Ribble Borough Councils, as the employing authorities, participate in the Local Government Pension Scheme (LGPS), administered by Lancashire County Council. This is a funded (defined benefit) scheme, which means that both the two Councils and their employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The contribution rates payable by the Joint Committee are the same as those paid by the Councils separately. In the event that the rates payable by each Council should become significantly different at some future point then the lower of the two rates will be used for both Councils.

It is impossible to determine the Joint Secretariat's share of assets and liabilities of the LGPS as distinct from those of Chorley and South Ribble Council's. Additionally, the Joint Committee is not responsible for a major service and the public expenditure consequences of the Joint Secretariat's operations are relatively insubstantial. The Joint Committee 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 – ie recognising the contributions payable for the year and not accruing any underlying pension asset/liability.

#### **5. VAT**

Income and expenditure excludes amounts related to VAT, as all VAT collected is payable to the HM Revenue and Customs and all VAT paid is recoverable from them. The Joint Committee relies on the VAT registrations of the two partner Councils and submits its claims via these.

#### **6. Overheads and Support Services**

The net expenditure of the Joint Committee is recharged to the Partner Authorities. The recharges are therefore charged to divisions of service within the Joint Authorities in proportion to the benefits received in accordance with the costing principles of the CIPFA's *Best Value Accounting Code of Practice*.

#### **7. Financial Liabilities**

Creditors are the Joint Committee's only financial liabilities. These are disclosed on the Balance Sheet at amortised cost.

## **Core Financial Statements**

### **Income and Expenditure Account**

The Income and Expenditure Account summarises the resources that have been generated and consumed in providing and managing the services of the Joint Committee. It includes all day to day expenses and related income on an accruals basis.

	<b>2008/09</b>	<b>Note</b>
<b>Service Income and Expenditure</b>	<b>£</b>	
Assurance Services	114,846	
Financial Services	284,364	
<b>Net operating expenditure</b>	<b>399,210</b>	
<b>Sources of finance:</b>		
South Ribble B.C.	191,857	
Chorley B.C.	207,353	
<b>Total Sources of Finance</b>	<b>399,210</b>	
<b>Surplus/Deficit for the year</b>	<b>0</b>	

### **Statement of Movement on the General Fund Balance**

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 Joint Committee does not have a General Fund Balance and does not raise council tax, this statement does not apply.

### **Statement of Total recognised Gains and Losses**

There are no gains or losses in addition to any reported in the Income and Expenditure Account.

## **BALANCE SHEET AS AT 31 MARCH**

	<b>31/3/09 £</b>
<b>Current assets</b>	
Cash and bank	16,500
<b>Current liabilities</b>	
creditors	(16,500)
<b>Total assets less liabilities</b>	<b>0</b>

## **CASH FLOW STATEMENT**

	<b>31/3/09 £</b>
<b>Revenue Activities</b>	
<b>Cash outflows</b>	
Cash paid to & on behalf of employees	(375,610)
Other operating cash payments	(7,100)
<b>Cash inflows</b>	
Cash received for goods and services	399,210
Net cash inflow from operating activities	16,500
<b>Net increase in cash</b>	<b>16,500</b>

## Notes to the Core Financial Statements

### **1 Income from Constituent Authorities**

The cost of the Assurance Service are split 54% to Chorley, 46% to South Ribble. The Shared Financial Services are shared equally, subject to Chorley bearing an additional charge in respect of one postholder doing work additional to the contract.

The charges to the two authorities are:

	<u>£</u>
Chorley	284,364
South Ribble	114,846
<b>Total</b>	<b>399,210</b>

### **2 Creditors**

At the year end £16,500 is owing to sundry creditors.

### **3. Local Authority (Goods and Services) Act 1970**

This act authorises local authorities to supply goods and services to other public bodies. The Partnership has not supplied goods or services other than to the partner authorities.

### **4. Expenditure under Section 137 of the Local Government Act 1972 (amended)**

The Partnership has not incurred any expenditure under this section.

### **5. Related party Transactions**

The only related party transactions are those with the Partner Authorities.

### **6. Ultimate Controlling Partner**

None of the partners has ultimate control of the Partnership.

### **7. External Audit Fees**

No fees have been accounted for within these statements.

### **8. Leases**

The Partnership has not entered into any leasing arrangements.

### **9. Date Accounts Authorised for Issue**

The Statement of Accounts were authorised for issue by Gary Hall, Assistant Chief Executive, Chorley Council on 18<sup>th</sup> June 2009.

## **Glossary**

### **Accrual**

A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods or work done, but for which payment has not been made or received by the end of the accounting period.

### **Balance Sheet**

This represents a summary of all the assets and liabilities of the Partnership, bringing together all the accounts of the Partnership.

### **Budget**

A statement of the Partnership's spending plans for expenditure over a specified period of time.

### **Creditors**

Amounts owed by the Partnership for work done, goods received or services rendered which have not been paid for by the end of the financial year.