

## APPENDIX A

# 2009/10 Shared Services STATEMENT OF ACCOUNTS

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



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**Independent auditors report to Members of Chorley and  
South Ribble Shared Services Joint Committee**

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# Foreword

## 1. Explanation of the Financial Statements

The Joint Committees Statement of Accounts shows the overall financial position of the South Ribble & Chorley Financial and Assurance Shared Services Partnership at the 31<sup>st</sup> March 2010. 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 2010.
- **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, emergency planning 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, emergency planning 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 set an original cash budget for 2009/10 of £1.734m. The actual out-turn as at 31<sup>st</sup> March 2010 is £1.676m resulting in an underspend against original budget of £0.058m. This underspend was achieved by vacancy savings of £101k mainly in the audit section. As approved by Joint Committee £13k this budget saving was used to buy in additional audit days from Lancashire County Council. The budget underspend was further offset by an overspend on supplies and services mainly attributable to external audit fees (£20k) and the cost of providing a computer link via the LCC network (£8.4k).

The methodology for recharging costs to Chorley and South Ribble Councils is as follows:-

	CHORLEY	SOUTH RIBBLE
<b>Cash Net Expenditure:</b>		
Shared Financial Services (excl. debtors function and superannuation rate adjustment)	50%	50%
Shared Assurance Services	54%	46%
<b>Non Cash Expenditure Overheads:</b>	Each Council absorbs their overheads charged to the Partnership as they are broadly equivalent	

The main components of the budget for 2009/10 and how these compare with actual expenditure are set out below:

	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance (under)/over spend £000</b>
<b>Cash Expenditure</b>	<b>1,734</b>	<b>1,676</b>	<b>(58)</b>
<b>Recharged to:</b>			
Chorley BC	886	855	(31)
South Ribble BC	848	821	(27)
<b>TOTAL</b>	<b>1,734</b>	<b>1,676</b>	<b>58</b>
<b>Allocation of overheads</b>		377	
<b>Recharged to:</b>			
Chorley BC		180	
South Ribble BC		197	
<b>TOTAL</b>		<b>0</b>	

## 5. Capital Expenditure

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

## 6. Retirement Benefits

All employees employed in the provision of the Joint Committee's services are employees of 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,  
 Chief Financial Officer,  
 Town Hall,  
 Chorley, PR7 1AL

# Statement of Responsibilities

## **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 Statutory Finance Officer 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 Statutory Finance Officer 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 2010.

In preparing this statement of accounts, the Statutory Finance Officer 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 Statutory Finance Officer 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 STATUTORY OFFICER, CHORLEY BOROUGH COUNCIL**

**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 2010 and its income and expenditure for the year ended 31 March 2010.**

Gary Hall BA CPFA  
STATUTORY FINANCE OFFICER  
CHORLEY BOROUGH COUNCIL

xx September 2010

# 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 functions to Chorley and South Ribble Councils as specified in the Shared Services Collaboration Agreement. To ensure that it carries out its functions effectively the 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 Joint Committee include:

- a. Monitoring, reviewing and making recommendations to both councils on the administrative arrangements and performance of those council services which are the subject of the Financial and Assurance Shared Services Partnership.
- b. Determining 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 authorities, 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.

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

The governance framework comprises the systems, processes, culture and values by which the Joint Committee is directed and controlled and thereby provides quality, cost-effective services to each partner authority.

## **6. The Governance Environment**

As employees of either South Ribble or Chorley Councils, the officers within the partnership are subject to the governance processes that are in operation at those authorities.

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

The following paragraphs describe the key elements of the systems and processes, including performance management arrangements that comprise the system of governance that is specific to the Joint Committee:



## ***The Administrative Collaboration Agreement***

This sets out 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.

### ***Joint Committee***

The Joint Committee, comprising of two members from each partner authority meets at least four times in a municipal year and holds its annual general meeting within one calendar month of the later of the constituent councils' annual meetings.

The Chief Financial Officer of Chorley Council acts as the Treasurer of the Joint Committee and the Director of Corporate Governance of South Ribble Council is the Secretary.

The Heads of Shared Financial and Assurance Services provide performance monitoring reports to the Joint Committee at each of its meetings, in relation to the achievement of the Service Level Agreements (SLA's) which form part of the partnership agreement.

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

SLA's have been prepared which set out the services to be provided and the general reporting and performance management requirements.

There are separate SLAs for Shared Financial Services and Shared Assurance Services and these specify the required outputs from each service plus a performance indicator set to measure the effective operation of each service.

The SLAs specify the following key reports from each service:

#### ***Shared Financial Services***

- An annually updated Financial Strategy (initially 3 years for Chorley and 4 years 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.

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

- An Annual Audit Plan by March in each year for the following financial year with quarterly updates against the work in the Annual Audit Plan, identifying significant changes.
- An Audit Charter to be reviewed on an annual basis.
- 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.
- A Business Continuity Strategy and Action Plan setting out the critical service areas and the actions required.

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.

### ***Business Improvement Planning***

The SLAs are supplemented by annual Business Improvement Plans (BIPs) which set out the specific projects and performance targets which need to be delivered in the forthcoming year. The 2010/11 BIP was approved by the Joint Committee in January 2010 and is currently being monitored by the Joint Committee at its regular meetings during the year.

In addition to the regular Joint Committee meetings the Heads of Shared Financial and Assurance Services report monthly to the Chief Finance Officers.

### ***Risk Management***

The risks associated with the successful delivery of the shared services partnership in 2010/11 are recorded in a Risk Register within the BIP. The key risks facing the Partnership at this stage of its development are considered to be:

- Maintaining high standards of service delivery during the transition period;
- A potential failure to create a common culture and ethos for the Partnership;
- A resistance to change on behalf of the staff, particularly those that have transferred between organisations;
- Developing effective communications, both internally amongst staff and externally in terms of publicising the new arrangement.

The 2010/11 BIP contains a range of actions which are aimed at mitigating these risks.

### ***Workforce Development Planning***

The Joint Committee has approved a Workforce Development Plan for the partnership which identifies the key training and development needs for its managers and staff together with a range of development activities and interventions to address them. One of the key actions in the 2010/11 BIP is the complete roll out and implementation of the Plan.

### ***Resource Planning***

The Shared Services Collaboration Agreement requires the Joint Committee, by 30<sup>th</sup> November of each Financial Year, to determine a Resource Plan for the next Financial Year. The 2010/11 Resource Plan has now been set and is also monitored by the Joint Committee at each of its meetings.

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

The accounts relating to the partnership are subject of independent audit and are open to inspection by the Joint Committee and the partner authorities. 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 meaningful scrutiny of its performance.

## **7. Review of Effectiveness**

The Joint Committee has a responsibility to keep the effectiveness of its governance arrangements under review and to demonstrate continuous improvement. This is informed by the work of members and the partnership's senior management further supported by the internal audit service and also by the work of external audit.

The partnership has now been operational for a complete financial year and a number of review mechanisms have been implemented

These include a detailed "End of Project" report which was considered at the first Annual General Meeting in June 2009 which demonstrated the successful implementation of the partnership. The report concluded that the project objectives had been achieved, costs kept within budget and everything delivered within the timescales set.

The first Annual Report will be presented to the June Joint Committee meeting showing performance against agreed targets and to outline any service issues for members' consideration. The Annual Report also includes draft financial statements for 2009/10 which will undergo audit by the Audit Commission.

## **8. Enhancing our Governance Arrangements**

We have undertaken a self-assessment of the Partnership's governance arrangements and have no significant issues to report.

### **Signatures**

Chair of the Shared Services \_\_\_\_\_

Vice chair of the Shared Services \_\_\_\_\_

Treasurer of the Shared Services Joint Committee \_\_\_\_\_

Secretary of the Shared Services Joint Committee \_\_\_\_\_

# Statement of Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the Joint Committee's transactions for 2009/10 and its position at the year ended 31 March 2010. 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 Committee'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 Committee'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.

#### **9. Financial Assets**

Debtors are the only financial assets and are included in the balance sheet at 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 (Jan to Mar) £</b>		<b>2009/10 £</b>
	<b>Service Income and Expenditure</b>	
337,030	Shared Financial Services	1,569,213
111,197	Shared Assurance Services	483,035
<b>448,227</b>	<b>Net Operating Expenditure</b>	<b>2,052,248</b>
	<b>Sources of Finance:</b>	
198,620	South Ribble BC	1,016,939
249,607	Chorley BC	1,035,308
<b>448,227</b>		<b>2,052,248</b>
<b>0</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<sup>st</sup> March 2010

31 <sup>st</sup> March 2009 (Jan to Mar) £		31 <sup>st</sup> March 2010 £
0	Debtors	24,660
17,847	Cash and bank	30,205
<b>17,847</b>	<b>Total Current Assets</b>	<b>54,865</b>
(17,847)	Creditors	(54,865)
<b>(17,847)</b>	<b>Total Current Liabilities</b>	<b>(54,865)</b>
<b>0</b>	<b>Total Current Assets less Current Liabilities</b>	<b>0</b>

## Cash Flow Statement for Year Ended 31<sup>st</sup> March 2010

£000		£000
<b>0</b>	<b>Surplus/deficit for the year</b>	<b>0</b>
	<b>Items on an accrual basis</b>	
0	(increase)/decrease in debtors	(25)
18	Increase/(decrease) in creditors	37
<b>18</b>	<b>Net cash inflow/(outflow) from operating activities</b>	<b>12</b>
0	Cash flows - interest	0
0	Cash flows – capital activities	0
0	Cash flows – borrowings and investments	0
<b>18</b>	<b>Net increase/(decrease) in cash</b>	<b>12</b>

# Notes to the Core Financial Statements

## 1. Income from Constituent Authorities

The costs of Shared Services are split equally between the two Councils with the exception of :

- The Assurance Service which is split 54% to Chorley, 46% to South Ribble.
- Chorley bears an additional charge in respect of one postholder in Exchequer Services who does work additional to the contract.
- An adjustment for Superannuation rates between the two Councils.
- Support service charges from the two Councils and the FRS17 pension adjustments. Each Council has absorbed its own costs.

## 2. Creditors

At the year end £54,865 is owing to sundry creditors.

## 3. Officer Remuneration

Remuneration disclosure for Senior Officers whose remuneration, excluding employer's pension contribution, was £50,000 or more:

Remuneration Band	No. of Employees 2008/09 (Jan-March 2009)	No. of Employees 2009/10
£50,000 - £54,999	0 (3 months only)	1
£55,000 - £59,999	0 (3 months only)	1

	Salary	Expenses Allow's	Benefits in Kind	Sub Total	Pension Contrib'ns	<b>Total</b>
Head of Shared Financial Services	£53,093	£5,811	£275	£59,179	£9,451	<b>£68,630</b>
Head of Shared Assurance Services	£47,123	£3,423	£176	£50,722	£8,195	<b>£58,918</b>



#### **4. Related Party Transactions**

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

#### **5. Ultimate Controlling Partner**

None of the partners has ultimate control of the Partnership.

#### **6. External Audit Fees**

The sum due to the Audit Commission for audit of these accounts is £19,545.

#### **7. Leases**

The Partnership has not entered into any leasing arrangements.

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

The Statement of Accounts includes any necessary disclosures in respect of events after the balance sheet date up to the date indicated below

----- Gary Hall, Statutory Finance Officer, Chorley BC  
xx<sup>th</sup> September 2010

# 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.