



PRE-AUDIT

THE THREE RIVERS & WATFORD  
SHARED SERVICES

STATEMENT OF ACCOUNTS

2013/2014



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## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Code of Practice on Local Authority Accounting in The United Kingdom reflects the requirements of the Accounts and Audit Regulations (England) 2011. The Authority must provide a Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Authority and the Chief Financial Officer for the Accounts.

### The Councils' Responsibilities

The Councils are required:

- (a) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers had the responsibility for the administration of those affairs. For the Shared Services Joint Committee the Finance Officer was the Head of Finance for Shared Services.
- (b) To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (c) To approve this Statement of Accounts.

Signed: .....

Signed: .....

Date: **XX September 2014**

### The Finance Officer's Responsibilities

The Joint Committee's Finance Officer was responsible for the preparation of the Joint Committee's Statement of Accounts in accordance with proper practices as set out in the Code of Practice.

In preparing this Statement of Accounts the Head of Finance Shared Services had:

- (a) Selected suitable accounting policies and then applied them consistently;
- (b) Made judgements and estimates that were reasonable and prudent;
- (c) Complied with the Code of Practice (except where disclosed otherwise);
- (d) Kept proper accounting records which were up to date; and
- (e) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### CERTIFICATE OF THE FINANCE OFFICER

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Joint Committee at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

Signed: .....

**Alan Power**  
**Finance Officer**  
**Head of Finance, Shared Services**  
**Date: 30 June 2014**

# EXPLANATORY FOREWORD

## 1. Introduction

The purpose of the Statement of Accounts was to give information to interested parties on how the Joint Committee had used the resources available to it to provide services to Three Rivers and Watford councils. The Shared Services arrangement commenced on the 1 April 2009 for the provision of Finance, Human Resources, ICT and Revenues & Benefits services. From April 2014, the Governance arrangements for Shared Services has changed. A new agreement between Watford Borough Council and Three Rivers District Council has introduced a lead authority model.

This foreword gives a brief explanation of what is included within the Statement of Accounts, as well as providing a summary of the main financial results for 2013/14.

The Joint Committee were required to prepare 'group accounts' where there were significant interests in other organisations. A review was carried out and it was determined that no other organisations exist that would require group accounts to be prepared.

## 2. Accounting Framework

The *Code of Practice on Local Authority Accounting in the United Kingdom* defines the proper accounting practices for local authorities in England. The Code has been published by the Chartered Institute of Public Finance and Accountancy (CIPFA) based on International Financial Reporting Standards (IFRS). The Accounts and Audit Regulations (England) 2011 define the Three Rivers and Watford Shared Services Joint Committee as a Larger Relevant Body.

## 3. Changes in Functions

In May 2013, ICT Shared Services were outsourced to Capita Secure Information Solutions Limited.

## 4. Revenue Activities

### ***Revenue Out-turn 2013/14***

Revenue expenditure is the day-to-day expenditure incurred by the Councils to deliver shared services. Total revenue expenditure amounted to £7.43m. The Three Rivers and Watford Shared Services Joint Committee was not a separate legal entity and did not have capacity to enter into contracts of employment or contracts for goods and services. The Joint Committee had no employees, assets or liabilities - these were the responsibility of the constituent councils. Shared Services costs and incomes were reported separately to the Joint Committee for management, performance and accounting purposes.

## EXPLANATORY FOREWORD

Comparison of the original budget with the out-turn for each of the shared services:-

	2013/14 Original Estimate £000s	2013/14 Out-turn £000s	2013/14 Variance £000s
ICT	1,411	1,957	546
Finance	1,368	1,332	(36)
Human Resources	744	635	(109)
Revenues & Benefits	2,947	3,510	563
	<u>6,470</u>	<u>7,434</u>	<u>964</u>

Comparison of the original budget with the out-turn analysed against the CIPFA subjective classification:-

	2013/14 Original Estimate £000s	2013/14 Out-turn £000s	2013/14 Variance £000s
Employees	5,456	4,720	(736)
Transport	46	27	(19)
Supplies and Services	981	2,694	1,713
Premises	0	0	0
Income	(13)	(7)	6
	<u>6,470</u>	<u>7,434</u>	<u>964</u>

Comparison of the income from the partner councils in the original budget with the out-turn:-

	2013/14 Original Estimate £000s	2013/14 Out-turn £000s	2013/14 Variance £000s
Three Rivers District Council	2,564	2,963	399
Watford Borough Council	3,906	4,471	565
	<u>6,470</u>	<u>7,434</u>	<u>964</u>

During the year the provision of ICT Services were outsourced to Capita for five years. The result of this change was to reduce the ICT employee budgets by £732k and increase the ICT services budgets by £1,282k, a net increase of £550k. The contract costs were frontloaded in 2013/14 to improve service levels. Over the five years of the contract for ICT, the councils will make overall savings.

For Revenues and Benefits, additional costs of £215k were incurred for agency staff to cover vacant posts, £135k to upgrade the Academy Software (New Burdens funding £73k received to offset against this cost) and £225k for printing and stationery, consultancy, licences, postage and legal fees due to increased demand on services.

## EXPLANATORY FOREWORD

### **5. Future Revenue Expenditure & Its Funding**

Expenditure on the services was under the control of the partner councils. The Joint Committee received quarterly financial and performance monitoring reports. Arrangements were in place to refer variances to the councils.

### **6. Governance**

This Statement of Accounts was one way in which the Three Rivers and Watford Shared Services Joint Committee tried to demonstrate that it was making good use of public funds and providing value for money. The Councils were constantly looking to improve financial management and internal control within the Shared Services arrangement. The External Auditor carries out value for money reviews in partner councils as part of their reporting.

### **7. Further Information**

Further information on the joint service accounts is available from the Head of Finance (Shared Services) based at Three Rivers Council Offices, Northway, Rickmansworth, Herts., WD3 1RL. Information on both councils' policies and their Statements of Accounts can be found on their websites or in hard copy by request. Please visit [www.threerivers.gov.uk](http://www.threerivers.gov.uk) and [www.watford.gov.uk](http://www.watford.gov.uk)

*Alan Power*  
*Head of Finance*  
Shared Services  
30 June 2014

# ANNUAL GOVERNANCE STATEMENT

## 1. Scope of Responsibility

The Three Rivers and Watford Shared Services Joint Committee was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. The Joint Committee also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Joint Committee was responsible for putting in place proper arrangements for the governance of affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Three Rivers District Council and Watford Borough Council have approved and adopted codes of corporate governance, which are consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government'. Copies of both codes can be found on the websites for Three Rivers

<http://www.threerivers.gov.uk/Default.aspx/Web/CorporateGovernance>

and Watford

<http://www.watford.gov.uk/ccm/content/finance/local-code-of-corporate-governance.en>

or be obtained from the councils.

These statements explain how the Councils have complied with the Code and also meet the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Joint Committee was directed and controlled and its activities through which it accounted to, engaged with and leads the community. It enabled the Joint Committee 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 was a significant part of that framework and was 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 the Joint Committee's 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.

The governance frameworks described in the reports to Audit Committees for Three Rivers and for Watford have been in place at the Councils for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.



# ANNUAL GOVERNANCE STATEMENT

## 3. The Governance Framework

The key elements of the systems and processes that comprise the Joint Committee's governance arrangements are:-

- Identifying and communicating the vision of the Shared Services Joint Committee's purpose and intended outcomes for citizens and service users.
- Reviewing the councils' vision and its implications for the governance arrangements of the Shared Services Joint Committee.
- Measuring the quality of services for users and ensuring they are delivered in accordance with the Joint Committee's objectives for ensuring they represent the best use of resources.
- Defining and documenting roles and responsibilities of the Joint Committee and officer functions with clear delegation arrangements and protocols for effective communication.
- Developing, communicating and embedding codes of conduct for standards of behaviour for members and staff.
- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes which clearly define how decisions are taken and the process and controls to manage risks.
- Undertaking the core functions of an audit committee as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Whistle-blowing and arrangements for receiving and investigating complaints from the public.
- Identifying the development needs of members and senior officers.
- Establishing clear channels of communication with all sections of the community.
- Incorporating good governance arrangements in respect of partnerships.

## 4. Review of Effectiveness

The Joint Committee had responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

## ANNUAL GOVERNANCE STATEMENT

The Councils have procedures in place to ensure the maintenance and review of the effectiveness of the governance frameworks which includes reports to and reviews by the following:-

- The Audit Committee of Three Rivers, the Audit Committee of Watford and the Standards Committee of each Council.
- Internal Audit and External Audit.
- Other review / assurance mechanisms.

### 5. Significant Governance Issues

No significant governance issues have been identified.

Signed .....

Date: XX September 2014

Signed .....

Date: XX September 2014

## STATEMENT OF MOVEMENT IN RESERVES

The Comprehensive Income and Expenditure Account (I&E) shows the Joint Committee's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. Each Council is required to raise Council Tax on a different accounting basis.

There are no adjustments required to the Shared Service Income and Expenditure Account before consolidation into the accounts of each Council's General Fund Balances.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement summarises the resources that have been generated and consumed in providing services and managing the Shared Service during the last year. It includes all day-to-day expenses and related income on an accruals basis.

2012/13 Net Expenditure /Income £000s		2013/14		
		Gross Expenditure £000s	Gross Income £000s	Net Expenditure /(Income) £000s
	<b>Expenditure on Continuing Services</b>			
1,436	Local Tax Collection	1,628	(1)	1,627
1,724	Housing Benefits	1,883	0	1,883
3,576	Central Support Services (HR, Finance & ICT)	3,930	(6)	3,924
6,736	<b>Cost of Services/Operating Expenditure</b>	7,441	(7)	7,434
(2,623)	Income from Three Rivers District Council			(2,963)
(4,113)	Income from Watford Borough Council			(4,471)
0	<b>(Surplus)/Deficit For The Year</b>			0

## BALANCE SHEET AS AT 31 MARCH 2014

31 March 2013 £000s		Note	31 March 2014 £000s	
	<b>Current Assets</b>			
31	Debtors	5	73	
19	Cash & Bank (Three Rivers DC)		14	
77	Cash & Bank (Watford BC)		61	148
127				
	<b>Current Liabilities</b>			
(127)	Creditors	6	(148)	(148)
0	<b>Total Assets Less Liabilities</b>			0
	<b>Financed By</b>			
0	Revenue Fund Balance			0

Signed .....

Date: 30 June 2014

Alan Power

Head of Finance, Shared Services

Signed .....

Date: **XX September 2014**

## CASH FLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2012/13 £000s		2013/14 £000s
	<b>Revenue Activities</b>	
	<b>Cash Outflows</b>	
6,855	Operating Cash Payments	7,420
	<b>Cash Inflows</b>	
(6,890)	Cash Received for Goods And Services	(7,399)
(35)	<b>(Increase)/Decrease In Cash</b>	21

# NOTES TO THE CORE FINANCIAL STATEMENTS

## **1. Statement Of Accounting Policies**

The Statement of Accounting Policies explains the basis for the recognition, measurement and disclosure of transactions and other events in the Accounts.

### **1.1 General Principles**

The Statement of Accounts summarises the Joint Committee's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Joint Committee is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2011, which require these to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### **1.2 Debtors and Creditors, Income and Expenditure**

The accounts of Shared Services are shown on an accruals basis in accordance with the Code of Practice. That is to say, actual expenditure and income incurred during the year is recorded in the accounts, rather than the cash sums paid or received. Where actual costs are not available, accruals are made on a best estimate basis.

### **1.3 Support Services**

The policies adopted for Shared Services by Three Rivers and Watford Councils is to charge costs directly to partner councils.

### **1.4 Basis of Preparation**

No separate accounting records were kept by the Shared Services Joint Committee. As a result the accounts have been prepared from the records maintained by Three Rivers District Council and Watford Borough Council.

### **1.5 Value Added Tax**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues and Customs and all VAT paid is recoverable from them.

VAT has been included in the income and expenditure accounts only to the extent that it is irrecoverable.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 2. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However decisions about resource allocation are taken by the Joint Committee on the basis of budget reports analysed across services, as below:

2012/13 £000s	SERVICE AREA	2013/14 £000s
1,436	Information Technology	1,957
1,420	Finance	1,332
719	Human Resources	635
3,161	Revenues & Benefits	3,510
<b>6,736</b>	<b>Net Shared Services</b>	<b>7,434</b>
	<b>FUNDING</b>	
(2,623)	Three Rivers District Council Contribution	(2,963)
(4,113)	Watford Borough Council Contribution	(4,471)
<b>(6,736)</b>	<b>Total Funding</b>	<b>(7,434)</b>
0	Net Expenditure Less Funding	0
<b>0</b>	<b>Surplus/Deficit Shared Services</b>	<b>0</b>

#### Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

As the shared service accounts do not include any adjustments under Statute, the figures presented to the Joint Committee agree to those shown on the face of the Comprehensive Income and Expenditure Account, so no reconciliation of the figures is required.

### 3. Local Authorities Goods and Services Act 1970

The Shared Service provides HR support to the West Herts Crematorium Joint Committee.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 4. Related Parties

The Shared Service is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Joint Committee or to be controlled or influenced by the Joint Committee. Disclosure of these transactions in this Statement of Accounts allows the readers to assess the extent to which the Joint Committee might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Joint Committee.

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made.

Related parties to the Joint Committee would include:

- ♦ central government;
- ♦ local authorities and other bodies precepting or levying demands on the council tax;
- ♦ its councillors;
- ♦ its chief officers; and
- ♦ its pension fund.

The Three Rivers and Watford Shared Services Joint Committee was established under the Local Government Act 1972 and the Local Government Act 2000. The Agreement between the two councils was to establish and facilitate the joint delivery of certain functions in accordance with the terms of the Agreement. The Joint Committee was empowered to arrange for the discharge of these functions. Three Rivers and Watford councils each nominated three Members with full voting rights to the Joint Committee.

## 5. Debtors

Balance at 31 March 13 £000s		Balance at 31 March 14 £000s
31	Sundry Debtors	73
31		73

There is no provision for bad debts, as all of the debts are less than a year old.

The Shared Service considers that the carrying amount of trade and other debtors approximates to their fair value.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6. Creditors

Balance at 31 March 13 £000s		Balance at 31 March 14 £000s
127	Sundry and Other Creditors	148
127		148

Sundry and Other Creditors are the Shared Service's trade creditors and payments in advance.

### 7. Disclosure of Audit Costs

In 2013/14 the Joint Committee incurred the following Audit Commission fees relating to external audit

2012/13 £000s		2013/14 £000s
10	Audit Fees	10
10		10

### 8. Authorisation Of The Accounts For Issue

The Pre-Audit Statement of Accounts was authorised for issue by Alan Power, the Shared Services Finance Officer, on 30 June 2014.

### 9. Events After The Balance Sheet Date

There are no post balance sheet events requiring disclosure. In determining if an event requires disclosure consideration has been given to events occurring up to 30 June 2014.



## GLOSSARY

### **Accounting Period**

The period of time covered by an authority's accounts, normally twelve months, beginning on 1 April. Also known as the Financial Year.

### **Accounting Policies**

The principles, bases, conventions, rules and practices applied that specify how the effects of transactions and other events are reflected in the financial statements.

### **Accrual**

A sum included in the final accounts attributable to that accounting period but for which an actual payment is yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

### **Asset**

An item having measurable value in monetary terms. Assets can be defined as fixed or current. A fixed asset has use and value for more than one year where current assets can be readily converted into cash.

### **Audit Commission**

The body responsible for appointing external auditors to local authorities and for setting the standards that those auditors are required to follow. The Commission will also carry out studies designed to promote the effective and efficient provision of local authority services.

### **Council Tax**

A local tax set by local authorities in order to meet their budget requirements. There are eight Council Tax bands (Band A to Band H); the amount of Council Tax each household pays depends on the value of their homes.

### **Creditors**

Amounts owed by an authority for works done, goods received or services rendered before the end of an accounting period, but for which actual payments had not been made by the end of that accounting period.

### **Debtors**

Amounts due to an authority for works done, goods supplied or service rendered before the end of an accounting period, but for which actual payments had not been received by the end of that accounting period.

### **Exceptional Items**

Material items that derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence.

### **External Audit**

The auditor is appointed by the Audit Commission and is required to verify that all statutory and regulatory requirements have been met during the production of the authority's accounts. There is also a requirement to review the arrangements in place to ensure the economic and effective use of resources.

### **Extraordinary Items**

Material items that derive from events or transactions that fall outside the ordinary activities of the authority.

## GLOSSARY

**FRS**

A statement of accounting practice issued by the Accounting Standards Board in the UK.

**General Fund**

The common name for the account which accumulates balances for all services.

**IFRS**

International Financial Reporting Standards.

**Liability**

An amount owed by an authority that will be paid at some time in the future.

**Outturn**

Actual income and expenditure in an accounting period.

**Reserves**

This is the accumulated surplus income (in excess of expenditure), which can be used to finance future spending.

**Revenue Expenditure**

Expenditure on day-to-day running costs such as salaries, heating, printing and stationery and debt charges. Revenue items will either be expended immediately, like salaries, or within one year of purchase.

**Support Services**

These are functions that provide support to service departments. They include accountancy, internal audit, information technology, human resources, general administration and office accommodation.

## INDEPENDENT AUDITORS REPORT AND CERTIFICATE

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