



PRE-AUDIT  
THE THREE RIVERS & WATFORD  
SHARED SERVICES JOINT COMMITTEE

STATEMENT OF ACCOUNTS

2012/2013



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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 Joint Committee's Responsibilities**

The Joint Committee is required:

- (a) 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. For the Shared Services Joint Committee the Finance Officer is 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:** .....

**Councillor**

**Chairman, Three Rivers and Watford Shared Services Joint Committee**

**Date: XX/XX/2013**

## **The Finance Officer's Responsibilities**

The Joint Committee's Finance Officer is 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 has:

- (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 2013 and its income and expenditure for the year ended 31 March 2013.

**Signed:** .....

**Alan Power**

**Finance Officer**

**Head of Finance, Shared Services**

**Date: XX/XX/2013**

# EXPLANATORY FOREWORD

## 1. Introduction

The purpose of the Statement of Accounts is to give information to interested parties on how the Joint Committee has 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.

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 2012/13.

The Joint Committee is required to prepare 'group accounts' where there are significant interests in other organisations. It has carried out a review and 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

There have been no significant changes in functions of Shared Services during 2012/13. Decisions were taken to outsource activities taking effect in 2013/14. Following a procurement process the ICT shared service has been transferred to Capita Secure Information Solutions (CSIS) from 20 May 2013. The Finance Service has transferred the Internal Audit function to the Single Internal Audit Service (SIAS) from 1 April 2013. SIAS is a partnership between the County and five District Council in Hertfordshire established in July 2011.

## 4. Revenue Activities

### **Revenue Out-turn 2012/13**

Revenue expenditure is the day-to-day expenditure incurred by the Councils to deliver shared services. Total revenue expenditure amounted to £6.65m. The Three Rivers and Watford Shared Services Joint Committee is not a separate legal entity and does not have capacity to enter into contracts of employment or contracts for goods and services. The Joint Committee has no employees, assets or liabilities - these are the responsibility of the constituent councils. Shared Services costs and incomes are reported separately to the Joint Committee for management, performance and accounting purposes.

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

	2012/13 Original Estimate £000s	2012/13 Out-turn £000s	2012/13 Variance £000s
ICT	1,391	1,436	45
Finance	1,520	1,420	(100)
Human Resources	693	719	26
Revenues & Benefits	2,644	3,161	517
	<u>6,248</u>	<u>6,736</u>	<u>488</u>

## EXPLANATORY FOREWORD

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

	2012/13 Original Estimate £000s	2012/13 Out-turn £000s	201/13 Variance £000s
Employees	5,179	5,709	530
Transport	45	43	(2)
Supplies and Services	931	895	(36)
Agency and Contracted	103	96	(7)
Income	(10)	(7)	3
	6,248	6,736	488

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

	2012/13 Original Estimate £000s	2012/13 Out-turn £000s	2012/13 Variance £000s
Three Rivers District Council	2,471	2,628	157
Watford Borough Council	3,777	4,108	331
	6,248	6,736	488

In Revenues & Benefits, the variance between the expenditure and the original budget results predominantly from the employment of additional benefits assessors to address an increasing workload resulting from the economic climate. In ICT the additional expenditure was related to activities related to market testing and outsourcing.

### 5. Future Revenue Expenditure & Its Funding

Expenditure on the services is under the control of the partner councils. The four shared services reported their estimated latest budgeted net expenditure for the four financial years from 2012/13 through to 2015/16 to the Joint Committee in November 2012. These estimates were agreed and incorporated into the partner councils medium term financial plans. The Joint Committee receives quarterly financial and performance monitoring reports. Arrangements are in place to refer variances to the councils. Since approval of financial plans in November 2012 and as part of the continuing financial savings plans, shared services will be required to meet further targets from January 2014.

### 6. Governance

This Statement of Accounts is one way in which the Three Rivers and Watford Shared Services Joint Committee tries to demonstrate that it is making good use of public funds and providing value for money. The Councils are 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. During 2013/14, the Councils will be reviewing the governance arrangements of the Shared Services Joint Committee. A report will be made to each Full Council.

## EXPLANATORY FOREWORD

### **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, their Medium Term Financial Plans and 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  
*22 May 2013*

## 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 ACCOUNT

This account 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.

2011/2012		2012/2013		
Net Expenditure /Income £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure /(Income) £000s
	<b>Expenditure on Continuing Services</b>			
1,339	Local Tax Collection	1,436	0	1,436
1,567	Housing Benefits	1,724	0	1,724
3,698	Central Support Services (HR, Finance & ICT)	3,583	(7)	3,576
6,664	<b>Cost of Services/Operating Expenditure</b>	6,743	(7)	6,736
(2,597)	Income from Three Rivers District Council			(2,623)
(4,067)	Income from Watford Borough Council			(4,113)
0	<b>(Surplus)/Deficit For The Year</b>			0



## BALANCE SHEET AS AT 31 MARCH 2012

31 March 2011 £000s		Note	31 March 2013 £000s	
			£000s	£000s
	<b>Current Assets</b>			
178	Debtors	5	31	
22	Cash & Bank (Three Rivers DC)		19	
39	Cash & Bank (Watford BC)		77	127
239				
	<b>Current Liabilities</b>			
(239)	Creditors	6	(127)	(127)
0	<b>Total Assets Less Liabilities</b>			0
	<b>Financed By</b>			
0	Revenue Fund Balance			0

Signed .....

Date: 00 XXXX 2013

**Alan Power**  
Head of Finance, Shared Services

Signed .....

Date: 00 XXXX 2013

**Councillor**  
Chairman, Three Rivers and Watford Shared Services Joint Committee

## CASH FLOW STATEMENT

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

2011/2012 £000s		2012/2013 £000s
	<b>Revenue Activities</b>	
	<b>Cash Outflows</b>	
6,550	Operating Cash Payments	6,855
	<b>Cash Inflows</b>	
(6,527)	Cash Received for Goods And Services	(6,890)
23	<b>(Increase)/Decrease In Cash</b>	(35)

# 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 2012/13 financial year and its position at the year-end of 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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 the Council 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 are 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:

2011/12 £000s	SERVICE AREA	2012/13 £000s
1,470	Information Technology	(1,436)
1,533	Finance	(1,420)
695	Human Resources	(719)
2,966	Revenues & Benefits	(3,161)
<b>6,664</b>	<b>Net Shared Services</b>	<b>(6,736)</b>
	<b>FUNDING</b>	
(2,597)	Three Rivers District Council Contribution	(2,623)
(4,067)	Watford Borough Council Contribution	(4,113)
<b>(6,664)</b>	<b>Total Funding</b>	<b>(6,736)</b>
0	Net Expenditure Less Funding	(13,472)
<b>0</b>	<b>Surplus/Deficit Shared Services</b>	<b>(13,472)</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 has been 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 is empowered to arrange for the discharge of these functions. Three Rivers and Watford councils have each nominated three Members with full voting rights to the Joint Committee.

## 5. Debtors

Balance at 31 March 12 £000s		Balance at 31 March 13 £000s
178	Sundry Debtors	31
178		31

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 12 £000s		Balance at 31 March 13 £000s
239	Sundry and Other Creditors	127
239		127

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

## 7. Disclosure of Audit Costs

In 2011/12 the Joint Committee incurred the following Audit Commission fees relating to external audit

2011/12 £000s		2012/13 £000s
10	Audit Fees	10
10		10

## 8. Authorisation Of The Accounts For Issue

The Statement of Accounts was authorised for issue by Alan Power, the Shared Services Finance Officer, on **00 XXXX** 2013.

## 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 **00 XXXX** 2013.

# 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.