



The Three Rivers & Watford Shared Services Joint Committee

Statement Of Accounts 2009/2010

Subject to Audit

THE THREE RIVERS AND WATFORD SHARED SERVICES JOINT COMMITTEE

STATEMENT OF ACCOUNTS 2009/2010

EXPLANATORY FOREWORD

1. Introduction

The purpose of the Statement of Accounts is to provide information to interested parties on the ways the Three Rivers and Watford Shared Services Joint Committee has utilised financial and other resources available to it in the provision of 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 and as such, there are no comparative figures for the previous year.

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 2009/10.

Page	Details
1	Statement of Accounting Policies The statement explains the basis upon which the figures in the accounts have been prepared. Explanatory notes are appended to the accounts where appropriate.
2	Income and Expenditure Account The account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.
2	Statement of Total Recognised Gains and Losses This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and the re-measurement of the net liability to cover the cost of retirement benefits.
3	The Balance Sheet The Balance Sheet represents the Council's overall financial position. In addition to containing the revenue balances and reserves at the Council's disposal, it shows its long-term indebtedness and the fixed and net current assets employed in its operations.
3	The Cash Flow Statement The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
4	Notes to the Core Financial Statements These notes explain in more detail the contents of the core financial statements above.
6	The Statement of Responsibilities for the Statement of Accounts This statement sets out the respective responsibilities of the Council and its Director of Corporate Resources and Governance for the Statement of Accounts.
7	Annual Governance Statement This statement is required by <i>The Accounts and Audit Regulations (England) 2003</i> .

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 Joint Committee is obliged to comply with an accounting framework backed by legislation. The Chartered Institute of Public Finance and Accountancy produces a Statement of Recommended Practice (SORP) which reflects the statutory requirements.

3 Changes in Functions

There have been no significant changes in functions of Shared Services during 2009/10.

4. Revenue Activities

Revenue Out-turn 2009/2010

Revenue expenditure is the day-to-day expenditure incurred by the Councils to deliver shared services. Total revenue expenditure amounted to £7.2m. 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 revised budget with the out-turn for each of the shared services:-

	2009/2010 Revised Estimate £000s	2009/2010 Out-turn £000s	2009/2010 Variance £000s
ICT	1,802	1,796	(6)
Finance	1,681	1,698	17
Human Resources	823	844	21
Revenues & Benefits	2,781	2,869	88
	<u>7,087</u>	<u>7,207</u>	<u>120</u>

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

	2009/2010 Revised Estimate £000s	2009/2010 Out-turn £000s	2009/2010 Variance £000s
Employees	5,548	5,564	16
Premises	0	2	2
Transport	52	28	(24)
Supplies and Services	1,166	1,175	9
Agency and Contracted	543	628	85
Income	(221)	(189)	31
	<u>7,087</u>	<u>7,207</u>	<u>120</u>

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

	2009/2010 Revised Estimate £000s	2009/2010 Out-turn £000s	2009/2010 Variance £000s
Three Rivers District Council	2,797	2,848	51
Watford Borough Council	4,291	4,359	68
	<u>7,087</u>	<u>7,207</u>	<u>120</u>

The variance between the expenditure and the revised budget agreed in December 2009 results predominantly from the employment of additional benefits assessors to address an increasing workload.

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 net expenditure for the three financial years from 2010/11 to the Joint Committee in December 2009. 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.

6. **Governance**

This Statement of Accounts is one way in which the Three Rivers and Watford Shared Service 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 Audit Commission 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, 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 and www.watford.gov.uk

Alan Power
Head of Finance
 Shared Services
 28 June 2010

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. General Principles

The Accounts have been prepared in accordance with *The Accounts and Audit Regulations 2003* and *The Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (SORP)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) together with guidance notes issued by CIPFA on the application of Accounting and Financial Reporting Standards (FRS).

2. Debtors and Creditors, Income and Expenditure

The accounts of the Council are shown on an accruals basis in accordance with the SORP. 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.

3. Support Services

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

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.

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.

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.

	2009/2010		
	Gross Expenditure £000s	Gross Income £000s	Net Expenditure /(Income) £000s
Services			
Local Tax Collection	1,490	(154)	1,336
Housing Benefits	1,533	0	1,533
Central Support Services (HR, Finance & ICT)	4,373	(35)	4,338
NET COST OF SERVICES/	7,396	(189)	7,207
NET OPERATING EXPENDITURE			
Income from Three Rivers District Council			(2,848)
Income from Watford Borough Council			(4,359)
(SURPLUS)/DEFICIT FOR THE YEAR			0

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The 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.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Joint Committee for the year and shows the aggregate increase in its net worth. There are no recognised gains or losses for the Joint Committee

BALANCE SHEET AS AT 31 MARCH 2010

	Note	31 March 2010	
		£000s	£000s
Current Assets			
Debtors	3	77	
Cash & Bank (Three Rivers District Council)		47	124
Current Liabilities			
Creditors	4	(94)	
Bank Overdrawn (Watford Borough Council)		(30)	(124)
Total Assets Less Liabilities			0
Financed By			
Revenue Fund Balance			0

Andy Wylie
Chairman
Three Rivers and Watford
Shared Services Joint Committee
Date: 28 June 2010

Alan Power
Head of Finance
Shared Services

Date: 28 June 2010

CASH FLOW STATEMENT

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

	2009/2010 £000s
Revenue Activities	
Cash Outflows	
Operating Cash Payments	7,302
Cash Inflows	
Cash Received for Goods And Services	(7,319)
(Increase)/Decrease In Cash	(17)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Local Authorities Goods and Services Act 1970

The Shared Service provides HR support to the West Herts Crematorium Joint Committee. The income received in 2009/10 was £5,200.

2. 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.

3. Debtors

	Balance at
	31 March 2010
	£000s
Sundry Debtors	77
	77

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

4. Creditors

	Balance at
	31 March 2010
	£000s
Sundry and Other Creditors	94
	94

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

5. Disclosure of Audit Costs

In 2009/10 the Joint Committee incurred the following Audit Commission fees relating to external audit

	2009/2010
	£000s
Audit Fees	11
	11

6. Authorisation Of The Accounts For Issue

The Statement of Accounts will be authorised for issue by Alan Power, the Shared Services Finance Officer in June 2010

7. 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 until 30 June 2010.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The CIPFA/LASAAC *Code of Practice on Local Authority Accounting in The United Kingdom* (the Code of Practice) reflects the requirements of the *Accounts and Audit Regulations 2003 and 2005 respectively*. The Joint Committee must provide a Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Joint Committee and the Finance 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.

Councillor Andy Wylie
Chairman of Three Rivers and Watford
Committee Shared Services Joint Committee
Date: 28 June 2010

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

Alan Power
Finance Officer
Head of Finance
Shared Services

Date: 28 June 2010

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

The Three Rivers and Watford Shared Services Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Joint Committee also has 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 is 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 regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 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 is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables 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 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 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 framework 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 2010 and up to the date of approval of the statement of accounts.

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 Council's 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 has 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.

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

5.1 Three Rivers District Council

The Council proposes over the coming year to take steps to address the following matters to further enhance its governance arrangements. It is satisfied that these steps will address the need for improvements that were identified in its review of effectiveness and will monitor their implementation and operation through regular reporting to the Audit Committee.

<i>Action</i>	<i>Priority</i>	<i>Responsibility</i>	<i>Action to date / Action Required</i>	<i>Resolved</i>	<i>Original Implementation Date</i>
The Business Continuity Plan should be regularly tested and particularly in respect of Shared Services	Medium	Emergency Planning & Risk Manager		x	March 2011
Committees should undertake periodic reviews of their own effectiveness.	Medium	Democratic Services Manager		x	March 2011
The Audit Committee should continue to receive progress reports from officers on the implementation of internal audit, external audit and other inspectors' recommendations.	High	Heads of Service		x	March 2011
The introduction of new International Financial Reporting Standards should be monitored by members.	High	Head of Finance		x	March 2011

5.2 Watford Borough Council

The Council proposes over the coming year to take steps to address the following matters to further enhance its governance arrangements. It is satisfied that these steps will address the need for improvements that were identified in its review of effectiveness and will monitor their implementation and operation through regular reporting to the Audit Committee.

No.	Issue	Action	Lead	Update
1	Revenues and Benefits reconciliations between ICT systems urgently need to be addressed both for 2009/2010 and going forward.	Staff resource needs to be dedicated to carrying out these reconciliations if the Council is to close its accounts on time and also avoid significant clawback of housing benefit subsidy. By: Immediate	Head of Revenues and Benefits Shared Services.	Progress is extremely slow and this is a major concern both reputationally and financially.
2	Revenues and Benefits brought forward figures from the previous software system to the new Academy system need to be fully reconciled.	Staff resource (or external agency help) needs to be dedicated to this task. By: Immediate	Head of Revenue and Benefits Shared Services	Progress is slow and, if not achieved, will result in claw back of housing subsidy.
3	Full controls need to be implemented within the new Northgate Payroll system.	Inevitable teething problems have resulted in initial errors. Full procedure notes need to be established. By: 30/6/10	Head of Human Resources Shared Services	Considerable progress has been made
4	The ICT Operating platforms need to be more robust.	The resilience of the system is unreliable and has caused considerable downtime. By: 30/9/2010	Head of ICT Shared Services	A programme of necessary improvements has been established.
5	Business Continuity Planning needs to be given a higher profile with more 'scenario' exercises being carried out.	Recent failures of area and local networks has highlighted the authority's dependence upon ICT systems being available. By: 30/9/2010	Head of Strategic Finance (as lead officer for Risk Management) and Leadership Team.	Scenario Planning exercises need to be scheduled during the summer months.

Signed _____
Andy Wylie

Chairman of the Three Rivers and Watford
Shared Services Joint Committee

Signed _____
Dr Steven Halls

Chief Executive
Three Rivers District Council

Date: 28 June 2010

Independent auditor's report to the Members of Three Rivers District Council

The next two pages are left intentionally blank for inclusion of the independent auditor's report.

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.

Asset Register

A list of all fixed assets such as land, houses, other buildings, parks, vehicles and computers.

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.

Capital Expenditure

Expenditure incurred in relation to fixed assets. Expenditure may be classified as capital where it enhances the related property, where enhancement is defined as an action which either -

Lengthens the asset's useful life, or

Increases the asset's open market value, or

Increases the extent to which the asset may be used for the purposes of the local authority.

Central 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.

CIPFA

The Chartered Institute of Public Finance and Accountancy. It is the professional body for public sector accountants.

Contingency

A sum included in the revenue budget to cover unexpected expenditure during the accounting period. An example of such an event would be an exceptional price increase not anticipated at the time the budget was constructed.

Corporate and Democratic Core

Comprises the activities engaged in specifically as an elected multi-purpose authority. They are over and above those which would be incurred by a series of independent single-purpose body managing the same 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.

DCLG

The Department for Communities and Local Government.

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.

Depreciation

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

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.

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 except Housing Revenue.

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 Contributions to Capital Outlay (RCCO)

The use of revenue resources to finance capital expenditure. Also referred to as direct revenue financing or capital expenditure financed from the revenue account.

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.

Revenue Support Grant

The Government Grant provided by DCLG, which is based on the Government's assessment as to what should be spent on local services. The amount is fixed in advance for each financial year.

Stocks

Comprise the following categories; goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.

UK GAAP

The Generally Accepted Accounting Principles in the UK are the overall body of regulation establishing how company accounts must be prepared in the UK.