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LGSS Annual Report (Statement of Accounts and Annual Governance Statement) 2013-14

By the Public Sector, for the Public sector

INTRODUCTION

Foreword by John Kane, LGSS Managing Director

Welcome to the first Annual Report (Statement of Accounts and Annual Governance Statement) for LGSS.



LGSS is the shared services venture set up in October 2010 by founding partners Cambridgeshire County Council (CCC) and Northamptonshire County Council (NCC), based on 50/50 ownership. This is the first year that the financial results of LGSS have been presented separately from the two county councils in order to provide you with a clearer picture of our financial position.

LGSS offers a fully integrated professional, transactional and back office support service. The long-standing partnership between the two councils has allowed the rapid development of LGSS as a shared services operation, and for it to expand quickly to a position where it is delivering real financial and operational benefits to partner councils as well as its new public sector customers from across the region.

I am proud to say that LGSS now generates an external income of over £27m per year which helps to significantly reduce its net operating costs, with reductions then being shared on an agreed risk/reward basis between the two founding county councils and other customers. The result of three years of both internal efficiencies and savings generated from traded income has seen an operational net budget reduction of around £3.8m for both Northamptonshire and Cambridgeshire County Councils, with further planned savings of £2.8m from 2014-15 through to 2017-18.

LGSS operates with a business ethos of “by the public sector, for the public sector” and is governed by a Joint Committee based shareholders board, consisting of three elected Members from each county council reflecting the political make-up of each.

LGSS takes shared services work from new customers through delegation of services agreements with other public bodies, based on the widely used and legally tested Partnership and Delegation Agreement model. We operate an open reporting partnership based on a negotiated, bilaterally agreed shared risk/reward delegation agreement with each of our customers. By delegating services to LGSS, it allows us to use increasing economies of scale for elimination of duplication, and rationalising overall management costs. LGSS also standardises processes and consolidates legacy IT systems across many customers over time, as well as being able to more effectively renegotiate and combine all supplier contracts to generate significant joint savings with and for all our customers.

In addition to the two founding county councils, LGSS is delivering shared services for several local district councils, hundreds of schools, care services organisations, a local fire authority and many NHS bodies. We have over 1250 staff working for LGSS across our region including locations in Cambridgeshire, Northamptonshire and Norwich. Hence LGSS is uniquely placed to help deliver greater efficiencies across all local public bodies and we can help optimise the use of all public assets across the counties and our region. LGSS is one of the largest and most successful “public to public” shared service operations in the UK and is helping shape the future of shared Services across the UK public sector.

John Kane

LGSS Managing Director

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EXPLANATORY FOREWORD

INTRODUCTION

This Annual Report presents the financial statements for LGSS for the period 1 April 2013 to 31 March 2014 and gives a comprehensive summary of the overall financial position of LGSS.

The core financial statements consist of the:

- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Movement in Reserves Statement; and
- Cash Flow.

LGSS is a shared service operation established by Cambridgeshire County Council (CCC) and Northamptonshire County Council (NCC) in October 2010. It provides a wide range of professional and transactional services as set out in the diagram below:

Our business services: breadth and scope



LGSS operates with a business ethos of “By the public sector, for the public sector” and is governed by a Joint Committee including three elected Members from each County Council. The LGSS Management Board oversees the day to day and strategic operation of LGSS and comprises the Managing Director and four Directors who head up the Directorates set out below and the Head of Service Assurance, Customers and Strategy:

- Finance;
- Law, Property & Governance;
- People, Transformation & Transactions; and
- IT Services.

All surpluses and deficits are shared on a 50:50 basis and an equalisation account operates between the two Councils to facilitate this.

LGSS takes shared services work from new customers through the Delegation of Services agreement method between other public bodies, based on a well-developed and legally tested Partnership and Delegation Agreement model. It operates on an open partnership and a shared risk/rewards basis. By delegating or transferring services into LGSS from other public authorities, it is possible for LGSS to use economies of scale and eliminate duplication, rationalise unnecessary management costs, standardise processes, consolidate legacy IT systems across many customers over time and renegotiate combined supplier contracts to generate significant savings for all concerned.

Trading operations are reflected in the respective Councils accounts and have income and expenditure budgets in line with the relevant contracts. These budgets will consist of staffing (TUPE transferred to NCC or CCC), non staffing to run the business, and in some cases managed budgets, which are administered on behalf of partner organisations.

FINANCIAL CONTEXT

Financial performance is reported to the LGSS Joint Committee throughout the year, and these reports are available to view via the following web pages:

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/committee.aspx?committeeID=23>
<https://cmis.northamptonshire.gov.uk/cm5live/DecisionMakingCommittees.aspx>

The Table below shows a six year financial profile for LGSS from the previous financial year through to the end of the current LGSS Strategic Plan.

The figures prior to 2013-14 have been audited as part of the accounts of the two Councils. As a result 2013-14 is the first year of separately reported LGSS accounts as required by the Audit Commission.

	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000
Gross Expenditure ^a	53,469	61,768	69,193	77,823	85,853	93,902
Gross Income	(26,296)	(37,196)	(47,605)	(57,531)	(66,731)	(75,931)
Net Budget	27,173	24,572	21,588	20,292	19,122	17,971
Budget Reductions	(1,785)	(2,859)	(1,996)	(1,296)	(1,170)	(1,151)
Efficiency	(1,785)	(2,024)	(737)	(370)	(970)	(951)
Trading		(835)	(1,259)	(926)	(200)	(200)
Over Achievement	(2,404)	(2,009)				

a Future gross spend to reflect expansion

b Net budget for 2010-11 was £36,149k

c Net budget for 2011-12 was £32,361k, with efficiencies of £3,788k and an over-achievement against budget of £1,489k.

This represents a planned £14m reduction in the operational base budget over the period 2011-12 to 2017-18 and an over-achievement of savings of a further £5,902k over three years. In addition, budgeted savings of £6.6m have been achieved on budgets managed by LGSS on behalf of others, with a total of £12.9m over the life of the plan.

The over-achievement of savings has allowed for substantial reinvestment in the development of services which has improved the customer experience and enabled further efficiencies to be delivered by the innovative use of technology. In 2012-13 a dividend was also paid to each of the host authorities and this will again, be paid for 2013-14.

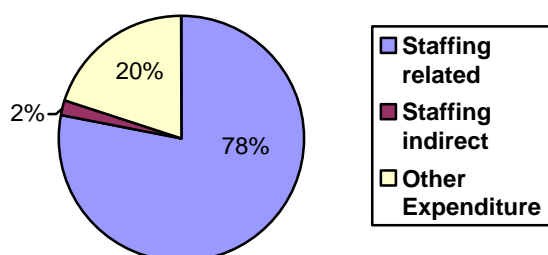
The budget is split between each authority as follows:

BUDGET 2013-14	Gross Exp		External Income		Internal Income ^a		Full Year	
	£000 NCC	£000 CCC	£000 NCC	£000 CCC	£000 NCC	£000 CCC	£000 NCC	£000 CCC
Trading Account	1,844	701	(11,198)	(9,233)	(185)	0	(9,539)	(8,532)
Service Assurance	1,346	502	0	0	0	(100)	1,346	402
Finance	5,972	6,388	(2,197)	(2,381)	(588)	(142)	3,187	3,865
People, Transformation and Transactions	13,341	10,171	(612)	(487)	(1,182)	(942)	11,547	8,742
Information Technology	3,550	5,987	(32)	0	(450)	(947)	3,068	5,039
Law, Property and Governance	6,446	5,520	(773)	(213)	(2,623)	(2,911)	3,050	2,395
Total LGSS	32,499	29,269	(14,812)	(12,314)	(5,028)	(5,043)	12,659	11,912
	61,768		(37,197)				24,571	

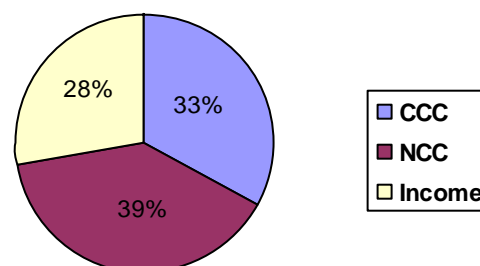
a Internal Income comprises recharging to the host authorities, and Organisational Workforce Development income.

The following charts are based on the 2013-14 budget figures:

What we spend our money on



How we are funded



OUTTURN 2013-14

The Tables below show the summary outturn position for 2013-14 by Directorate, and the overall LGSS summary financial position.

	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Net Budget £000	Outturn £000	Variance £000
Trading Account	3,257	(20,431)	(185)	(17,359)	(16,994)	365
Service Assurance	1,848	0	(100)	1,748	1,684	(64)
Finance	12,360	(4,578)	(730)	7,052	6,819	(233)
People, Transformation and Transactions	23,733	(1,099)	(2,124)	20,510	19,799	(711)
Information Technology	9,466	(32)	(1,397)	8,037	7,545	(492)
Law, Property and Governance	11,955	(986)	(5,534)	5,435	4,561	(874)
Total LGSS	62,619	(27,126)	(10,070)	25,423	23,414	(2,009)

	2012-13 Outturn £000	2013-14 Outturn £000
Brought Forward (1 April) ^a	(1,489)	(3,289)
Reinvestment	604	2,402
Repayment to Trading Partners		184
Distribution of dividend ^b		700
Actual Surplus	(2,404)	(2,009)
Carried Forward (31 March)	(3,289)	(2,012)
Reinvestment c/f	0	(881)
LGSS Operational Reserves (31 March)	(3,289)	(2,893)

a 2011-12 outturn was an over-achievement against budget of £1,489k, which was carried forward.

b This is the 2012-13 dividend paid from reserves.

There have been four main reasons for the final variances from budget in 2013-14 as follows:

- Underspends have been achieved in year on staff related expenditure due to substantial remodelling and restructuring in the People, Transformation and Transactions and Information Technology Directorates. As a result there were some timing delays in appointing to new posts, which has generated the majority of the underspend in staff costs;
- Some restructuring has taken place in the Service Assurance Directorate contributing to the underspend that was achieved;

- Additional income has been achieved in the Legal, Property and Governance Directorate. This has been mainly in Legal Services as a result of an increase in the volume of external work, more efficient handling of work and team members exceeding their target hours. The Procurement service within Legal, Property and Governance has also overachieved its income target and the Finance Directorate has seen an increase in external income;
- Cost reductions have been achieved in the Finance Directorate through reduced costs on lease renewals; and
- Trading activities have resulted in an adverse variance of £0.36m in 2013-14 due in the main to a provision of £0.284 being set up against the outcome of ongoing negotiations relating to the allocation of benefit share and £0.044m effect of a top-up to the LGSS Bad Debt provision.

In addition, LGSS carried forward £3,289k to 2013-14 from 2012-13, £2,402k was earmarked for reinvestment of which £881k remains unused at the end of 2013-14 which is planned to be used in the forthcoming year.

THE 2013-14 ACCOUNTS

Our core financial statements follow the standardised format of the CIPFA Service Reporting Code of Practice (SeRCOP). In addition to this the statements contain appropriate detail to ensure they provide a meaningful comprehensive summary of the financial position of LGSS.

The Core Financial Statements are set out in pages 15-17 and are summarised below.

Balance Sheet

This statement presents the value of the assets and liabilities recognised by LGSS as at 31 March 2014. LGSS does not own any capital assets - these belong to the respective host authorities.

The balance sheet therefore represents debtors, creditors and cash as a result of the activities carried out by LGSS. There are net assets of £2,296k attributable to LGSS as at 31st March 2014.

Comprehensive Income and Expenditure Statement

This statement shows the cost of providing the services within LGSS in accordance with generally accepted accounting practices. Whilst following the standardised CIPFA format, the statement also provides more detailed description and information of the actual services provided by LGSS.

The 2013-14 income and expenditure statement shows a deficit of £1,139k. The deficit is attributed to a planned further distribution of dividend to each of the founding authorities totalling £700k and the reinvestment in services during 2013-14. The dividend and reinvestment has been funded through the reserves built up in prior years, as demonstrated in the movement in reserves statement.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by LGSS, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure) and 'unusable' reserves.

There has been a reduction of £1,139k in the reserves during the period. The LGSS Operational Reserve is the primary reserve, which is used to hold accumulated surplus/deficits on the provision of services, and to release funding back in to the service as reinvestment. A distribution of dividend of £700k has been split between the two founding authorities. There are also some earmarked reserves with balances for specific purposes, and details of these are given in Note 5 to the accounts.

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of LGSS during the reporting period. The statement shows how LGSS generates and uses cash and cash equivalents for operating activities. Cash is held within the bank accounts of the two founding Councils.

The decrease of £4,424k in cash and cash equivalents during the period is attributable to the deficit in the provision of services of £1,139k from the Comprehensive Income and Expenditure Statement; which is then adjusted for non-cash movements made up of an increase in debtors of £4,325k and a reduction of £134k in provisions, offset by an increase in creditors of £1,174k during the period.

LOOKING FORWARD TO 2014-15

LGSS continues to reshape and to be at the forefront of developing innovative plans for service delivery. A formal request was made to the LGSS Joint Committee to carry forward surplus and to still provide a dividend to the host authorities. Of the £2,893k being carried forward into 2014-15, £2,091 is planned for reinvestment which is made up of £872k from previous year and £1,219k new carry forward bids for reinvestment approved by the Joint Committee

There are extensive plans and proposals to utilise these carry forwards for business re-engineering, technical transformation, system development and a combined shared service solution, to improve our business offer. Furthermore, there will be investment in IT for development through technology and training for 'Next Generation' working. Overall, the LGSS strategic plan scopes the trading challenge for LGSS with commitment from the Joint Committee to invest in the business development activities and developing the customer and employee communications to improve our survey results. LGSS is cognisant that any change affects people and posts, in order to meet business requirements, so a redundancy top-up has been authorised as the final part of the carry forward profile.

FURTHER INFORMATION

For information please contact:

LGSS Finance
Northamptonshire County Council
8-10 The Lakes
John Dryden House
Northampton
NN4 7YD

Telephone: 0300 126 1000

Email: accountancy@northamptonshire.gov.uk
corporate.finance@cambridgeshire.gov.uk

LGSS Finance
Cambridgeshire County Council
SH1304
Shire Hall
Cambridge
CB3 0AP

Telephone: 0345 045 5200

You have the right to inspect our accounts each year before the external audit is completed. We advertise the dates during which you can inspect the accounts in the local press. Our accounts are audited by KPMG LLP. They are the auditors appointed by the Audit Commission.

INDEPENDENT AUDITORS' REPORT

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STATEMENT OF RESPONSIBILITIES AND CERTIFICATE OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

THE BUSINESS'S RESPONSIBILITIES

The business is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance (Section 151 Officer);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Annual Report (Statement of Accounts and Annual Governance Statement).

THE DIRECTOR OF FINANCE'S RESPONSIBILITIES

The Director of Finance is responsible for the preparation of the business's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Director of Finance 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 ACCOUNTS

I certify that this Annual Report (Statement of Accounts and Annual Governance Statement) presents a true and fair view of the financial position of LGSS at 31 March 2014 and its income and expenditure for the year 2013-14, and authorise the accounts for issue.

Matt Bowmer
Director of Finance
Date: June 2014

THE CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

	LGSS Reserve £000	Earmarked Reserves £000	Usable Reserves Total £000	Unusable Reserves Total £000
Balance at 31-Mar-13	3,288	147	3,435	0
Movement in 2013-14:				
Surplus/(Deficit) on the provision of services	(1,139)	0	(1,139)	0
Other comprehensive income and expenditure	0	0	0	0
Total comprehensive income and expenditure	(1,139)	0	(1,139)	0
Adjustments between accounting and funding basis under regulations	0	0	0	0
Increase/(decrease) before transfers to earmarked reserves	(1,139)	0	(1,139)	0
Transfers to earmarked reserves (note 5)	44	(44)	-	0
Increase/(decrease) in 2013-14	(1,095)	(44)	(1,139)	0
Balance at 31-Mar-14	2,193	103	2,296	0

This statement shows the reserves held by the business, analysed into 'usable' and 'unusable'. The 'surplus/(deficit) on the provision of services line' shows the true cost of providing services. The 'increase/ decrease before transfers to/from earmarked reserves' line shows the LGSS Reserve before discretionary transfers.

Comprehensive Income and Expenditure Statement

	Gross Expenditure 2013-14 £000	Gross Income 2013-14 £000	Net Expenditure 2013-14 £000
Corporate and democratic core			
Trading and Strategic Management	1,838	(18,832)	(16,994)
Service Assurance	1,798	(99)	1,699
Finance	12,369	(5,485)	6,885
People, Transformation and Transactions	24,202	(4,240)	19,961
Information Technology	9,212	(1,624)	7,588
Law, Property and Governance	13,086	(8,166)	4,921
Cost Of Services	62,505	(38,445)	24,060
Other operating expenditure			
Financing and investment expenditure (Dividend)			700
Taxation and Non-Specific Grant Income			(23,621)
(Surplus) or Deficit on Provision of Services			1,139
Total Comprehensive Income and Expenditure			1,139

This statement shows the accounting cost of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The County Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Cash Flow Statement

	2013-14 £000
Net surplus/(deficit) on the provision of services	(1,139)
Adjust net surplus/deficit on the provision of services for non cash movements:	
Movement in debtors	(4,325)
Movement in creditors	1,174
Movement in provisions	(134)
	(3,285)
Net increase or (decrease) in cash and cash equivalents	(4,424)
Cash and equivalents at the beginning of the reporting period	(335)
Cash and cash equivalents at the end of the reporting period	(4,760)

The Cash Flow Statement shows the changes in cash and cash equivalents of LGSS during the reporting period. Cash is held within the bank accounts of the two founding Councils.

Balance Sheet as at 31 March 2014

	Note	31-Mar-14 £000
Short Term Debtors	6	10,970
Current Assets		10,970
Cash and Cash Equivalents		(4,760)
Short Term Creditors	7	(3,548)
Provisions		(366)
Current Liabilities		(8,674)
Net Assets		2,296
Usable Reserves	5	2,296
Unusable Reserves		0
Total Reserves		2,296

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by LGSS. The net assets (assets less liabilities) are matched by the level of reserves held by LGSS. 'Usable' reserves are those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. 'Unusable' reserves are those that are not able to be used to provide services and include those that hold unrealised gains and losses, where amounts only become available to use if assets are sold; and reserves that hold timing differences.

These financial statements were authorised for issue on 30 June 2014 by Matt Bowmer (Director of Finance)

Matt Bowmer (Director of Finance)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises LGSS's financial position for the year ended 31 March 2014.

LGSS is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. These regulations require the Statement of Accounts 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 (the Code) and the Service Reporting Code of Practice 2013-14 (SerCOP), supported by International Financial Reporting Standards (IFRS).

In order to reflect statutory conditions, accounting standards are amended for specific statutory adjustments so that the accounts present a true and fair view of the financial position and transactions of LGSS. All accounting policies are disclosed where they are material.

1.2 Qualitative Characteristics of Financial Statements

1.2.1 Relevance

The accounts have been prepared with the objective of providing information about LGSS's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

1.2.2 Reliability

The financial information is reliable as it has been prepared so as to reflect the reality or substance of the transaction, is free from deliberate or systematic bias, is free from material error and has been prudently prepared.

1.2.3 Understandability

These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary contained within the accounts.

1.2.4 Materiality

The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided that in aggregate they would not affect the interpretation of the accounts.

1.3 Underlying Assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Accounts and the

reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates.

Where it is necessary to choose between different estimation techniques, LGSS selects whichever technique is judged to be the most appropriate to its particular circumstances for the purposes of presenting the financial position in the accounts fairly. Estimates are used for debtors and creditors where invoices have yet to be issued or received.

1.3.1 Accrual of Income and Expenditure

The financial statements, other than the cash flow, are prepared on an accrual basis. Income and expenditure is recognised in the accounts in the period in which it is earned or incurred, not as cash is received or paid. In particular:

- Revenue from the provision of services is recognised when LGSS can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to LGSS.
- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3.2 Going Concern

The accounts have been prepared on the assumption that LGSS will continue in existence for the foreseeable future.

1.4 Accounting Policies

1.4.1 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours and investments whose maturity date is three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

1.4.2 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of LGSS's financial performance.

1.4.3 Provisions

Provisions are made where an event has taken place that gives LGSS a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that LGSS becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if LGSS settles the obligation.

1.4.4 Reserves

LGSS sets aside specific amounts as reserves for future policy and business purposes or to protect against unexpected events. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year, to be recorded against the Net Cost of Services in the Comprehensive Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

LGSS Reserves include:

- Earmarked reserves, which are set aside for specific purposes.
- General reserves, which are set aside for unexpected events.

1.4.5 Revenue Grants and Contributions:

Revenue grants and contributions are matched in the Comprehensive Income and Expenditure Statement to the service expenditure to which they relate. Revenue grants received in advance of entitlement or meeting of conditions are treated as creditors (receipt in advance) until such time as they can be justifiably recognised as income and credited to the Comprehensive Income and Expenditure Statement. Grants to cover general expenditure are credited to the Comprehensive Income and Expenditure Statement after Net Cost of Services.

1.4.6 Employment Benefits

I. Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and

paid sick leave, for current employees and are recognised as an expense for services in the year in which employees render service to LGSS.

II. Termination Benefits

Termination benefits are amounts payable as a result of a decision by LGSS to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement when LGSS is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

III. Post Employment Benefits

Local Government Pension Scheme

Contributions to the Local Government Pension Scheme payable during the period are charged to the Comprehensive Income and Expenditure Statement where employees are members of the scheme. However, as LGSS staff are formally employed by either Northamptonshire County Council or Cambridgeshire County Council the net pensions liability/asset is shown within the host authority's Statement of Accounts. Therefore no pensions liability/asset is recognised within LGSS's balance sheet.

1.4.7 Discretionary Benefits

LGSS has no powers to make discretionary awards of retirement benefits in the event of early retirements, with such powers remaining with the respective County Councils. However, any liabilities estimated to arise as a result of an award to any member of staff will be accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.4.8 Value Added Tax (VAT)

The Comprehensive Income and Expenditure Statement excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

1.4.9 Events after the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

2 Accounting standards that have been issued but have not yet been adopted

The 2014/15 Local Authority Accounting Code of Practice (the 2014/15 Code) includes a number of changes resulting from new and revised arrangements in respect of the accounting for groups, joint arrangements and disclosure of involvement in other entities. The changes in the 2014/15 Code result from these standards:

IFRS10 Consolidated Financial Statements

IFRS11 Joint Arrangements

IFRS12 Disclosures of Involvements with Other Entities

IAS27 Separate Financial Statements and IAS28 Investments in Associates and Joint Ventures

LGSS does not currently prepare group accounts and does not expect material amendments to the financial statements as published in 2013/14 as a result of the changes in the 2014/15 Code.

The 2014/15 Code also introduces changes resulting from **IAS32 Financial Instruments Presentation and IAS1 Presentation of Financial Statements**. These amendments are not expected to lead to significant changes to the Annual Report (Statement of Accounts and Annual Governance Statement).

3 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1 LGSS has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Annual Report (Statement of Accounts and Annual Governance Statement) are in respect of:

Future levels of funding for local government - there is a high degree of uncertainty about future levels of funding for local government. However, LGSS has judged that this uncertainty is not yet sufficient to provide an indication that LGSS might need to reduce levels of service provision.

4 Material items of income and expense

Financing and Investment expenditure of £700k relates to a dividend payment of £350k to each of the two founding County Councils which were agreed by the Joint Committee.

Provisions of £500k have been utilised during the year. New provisions have been provided for to the value of £366k, consisting of a decommissioning provision of £284k and a redundancy provision of £82k.

5 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the LGSS Operational Reserve to earmarked reserves and the amounts posted back from earmarked reserves to meet LGSS Operational Reserve expenditure in 2013-14.

	Opening Balance Apr 2013	Transfers to Reserve	Transfers from Reserve	Closing Balance March 2014
	£000	£000	£000	£000
LGSS Operational Reserve	3,289	2,009	(3,105)	2,193
Cambridge Balance Legal (Replacement Reserve)	85	0	0	85
Cambridge Balance Finance (CIPFA Trainee)	62	0	(44)	18
Total LGSS Reserves	3,436	2,009	(3,149)	2,296

Legal Reserve: This is a pre-LGSS reserve that was accumulated on the CCC side and was earmarked for general asset replacement. LGSS Law pre-LGSS was classified as a “trading unit” and there was a need to accumulate such reserves to ensure business continuity for the unit.

Finance Reserve: This is a pre-LGSS reserve that was accumulated on the CCC side and was earmarked for use in Finance predominantly for funding towards additional CIPFA trainee costs.

The table below illustrates the planned use of reserves for 2014-15 to support the delivery of the LGSS strategic plan.

Theme	Directorate	Service Area	Title	2012-13 Carry Forward £000	2013-14 Carry Forward £000	Total £000
Investing	Cross Cutting	Cross Cutting	Various Investment Projects to deliver service improvements	372	912	1,284
Redundancy	Cross Cutting	Cross Cutting	Redundancy reserve top-up		207	207
Smoothing		Cross Cutting	Smoothing of trading income	500		500
Timing	PT & T	OWD	IT training - Next Generation		100	100
			Total	872	1,219	2,091

6 Debtors and Payments in Advance

	2013-14 £000
Central Government Bodies	17
Other Local Authorities	6,579
NHS Bodies	1,146
Other Entities and Individuals	3,228
Total Short Term Debtors	10,970

The debtors balance is high in 2013-14 due to the timing of the invoicing on one of the LGSS contracts.

7 Short Term Creditors and Receipts in Advance

	2013-14 £000
Central Government Bodies	(7)
Other Local Authorities	(447)
NHS Bodies	(11)
Other Entities and Individuals	(3,083)
Total	(3,548)

8 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 Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the LGSS Joint Committee on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements.

The income and expenditure of LGSS' directorates recorded in the budget reports for the year is set out in the following table.

	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget ^a £000	Net Budget £000	Outturn £000
Trading Account	3,257	(20,431)	(185)	(17,359)	(16,994)
Service Assurance	1,848	0	(100)	1,748	1,684
Finance	12,360	(4,578)	(730)	7,052	6,819
People, Transformation and Transactions	23,733	(1,099)	(2,124)	20,510	19,799
Information Technology	9,466	(32)	(1,397)	8,037	7,545
Law, Property and Governance	11,955	(986)	(5,534)	5,435	4,561
Total LGSS	62,619	(27,126)	(10,070)	25,423	23,414

a Internal Income comprises recharging to the host authorities, and Organisational Workforce Development income.

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013-14 £000
Net Expenditure in the Directorate Analysis	23,414
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	646
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0
Cost of Services in Comprehensive Income and Expenditure Statement	24,060

The reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure.

2013-14 (Surplus)/deficit on the provision of services in Comprehensive Income and Expenditure Statement

Reconciliation by Subjective Analysis	Directorate Analysis	Not reported to management	Amounts not included in CIES	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(38,442)			(38,442)		(38,442)
Government grants and contributions					(23,621)	(23,621)
Total Income	(38,442)	0	0	(38,442)	(23,621)	(62,066)
Service expenses	61,856	646		62,502		62,502
Financing & Interest Investments					700	
Total operating expenses	61,856	646	0	62,502	700	62,502
(Surplus) or deficit on the provision of services	23,414	646	0	24,060	(22,921)	1,139

9 Trading Operations

LGSS has trading units where the service is required to operate in a commercial environment and balance their budget by generating income from other parts of the authorities or other organisations.

	2013-14 £000
Turnover/Income	(17,574)
Expenditure:	17,084
Surplus/deficit	(491)

Trading Operation figures shown above include Partnering and Delegation Agreements. The trading figures are showing a surplus because the overheads from the host authorities are not included in the LGSS accounts.

10 Officers' Remuneration

The numbers of employees whose remuneration, taxable expenses and severance pay (if applicable) was £50,000 or more during the year are detailed below:

Pay Band	2013-14 Total
£50,000 - £54,999	8
£55,000 - £59,999	6
£60,000 - £64,999	6
£65,000 - £69,999	5
£70,000 - £74,999	2
£75,000 - £79,999	1
£80,000 - £84,999	2
£85,000 - £89,999	2
£90,000 - £94,999	2
£95,000 - £99,999	2
£110,000 - £114,999	1
£115,000 - £119,999	1
£125,000 - £129,999	1
Totals	39

Disclosure of remuneration for senior employees. Senior employees are the LGSS Managing Director and LGSS Directors. Staff are employees of the host authorities, rather than LGSS itself.

Post holder information	CCC / NCC payroll	Notes	Salary Range	Salary ^{c)}	Allowances & Fees (including honoraria & SRO payments)	Expenses Allowances	Total Remuneration excluding pension contribution	Pension contributions	Total Remuneration including pension contribution
Senior Employees:			£000	£000	£000	£000	£000	£000	£000
LGSS Managing Director	NCC		124 to 135	129		4	133	16	149
LGSS Director of People, Transformation & Transactional Services	NCC	a)	110 to 119	119	8	2	129	15	144
LGSS Director of Finance and Section 151 Officer NCC	NCC		110 to 119	113		1	114	14	128
LGSS Director of Law and Property and Governance	CCC		91 to 102	97		3	100	18	118
LGSS Director of IT	CCC	b)	101 to 117	89		2	91	17	108

Notes:

- a) The Director of People, Transformation and Transactional Services figures include £8k for managing two LGSS Directorates for a year as a result of the sudden departure of the Director of Operations whilst the LGSS directorate structure was reviewed and an MD and Director of IT were appointed.

- b) The LGSS Director IT was appointed to the post on 10/06/13. The full year equivalent salary of this post is £110k with pension contributions of £21k.
- c) Actual salary paid is dependent on length of service and performance.

11 Termination Benefits

Exit package cost band (including special payments)	Total number of exit packages by cost band 2013-14	Total cost of exit packages in each band 2013-14 £000
£0 – £20,000	37	259
£20,001 - £40,000	10	296
Total cost included in bandings		556

12 Transactions with Related Parties

Central government has effective control over the general operations of each Council – it is responsible for providing the statutory framework within which the Councils operate and provides the majority of their funding in the form of grants. The 'Taxation and Non-specific Grant Income' line within the Comprehensive Income and Expenditure Statement on page 16 represents the funding that the two Councils put into LGSS.

13 External Audit costs

KPMG LLP - audit services carried out by the appointed auditor	2013-14 £000 TBC
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ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

The LGSS 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 its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Joint Committee operates to Northamptonshire County Council's Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

This Annual Governance Statement explains how LGSS has complied with the Code and also meets the requirements of regulation 4.2 of the Accounts and Audit Regulations 2011 as amended by the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which LGSS is directed and controlled and through which it accounts to, engages with and leads the community. It enables LGSS to monitor the achievement of its priority outcomes and to consider whether those 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, core purpose and priority outcomes and can therefore only provide reasonable assurance of effectiveness. The system of internal control is based on an on-going process designed to:

- a) Identify and prioritise the risks to the achievement of LGSS's plans and priorities.
- b) Evaluate the likelihood of those risks occurring.
- c) Evaluate the impact should they occur.
- d) Manage the risks efficiently, effectively and economically.

The governance framework has been in place in LGSS for the year ended 31st March 2014 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

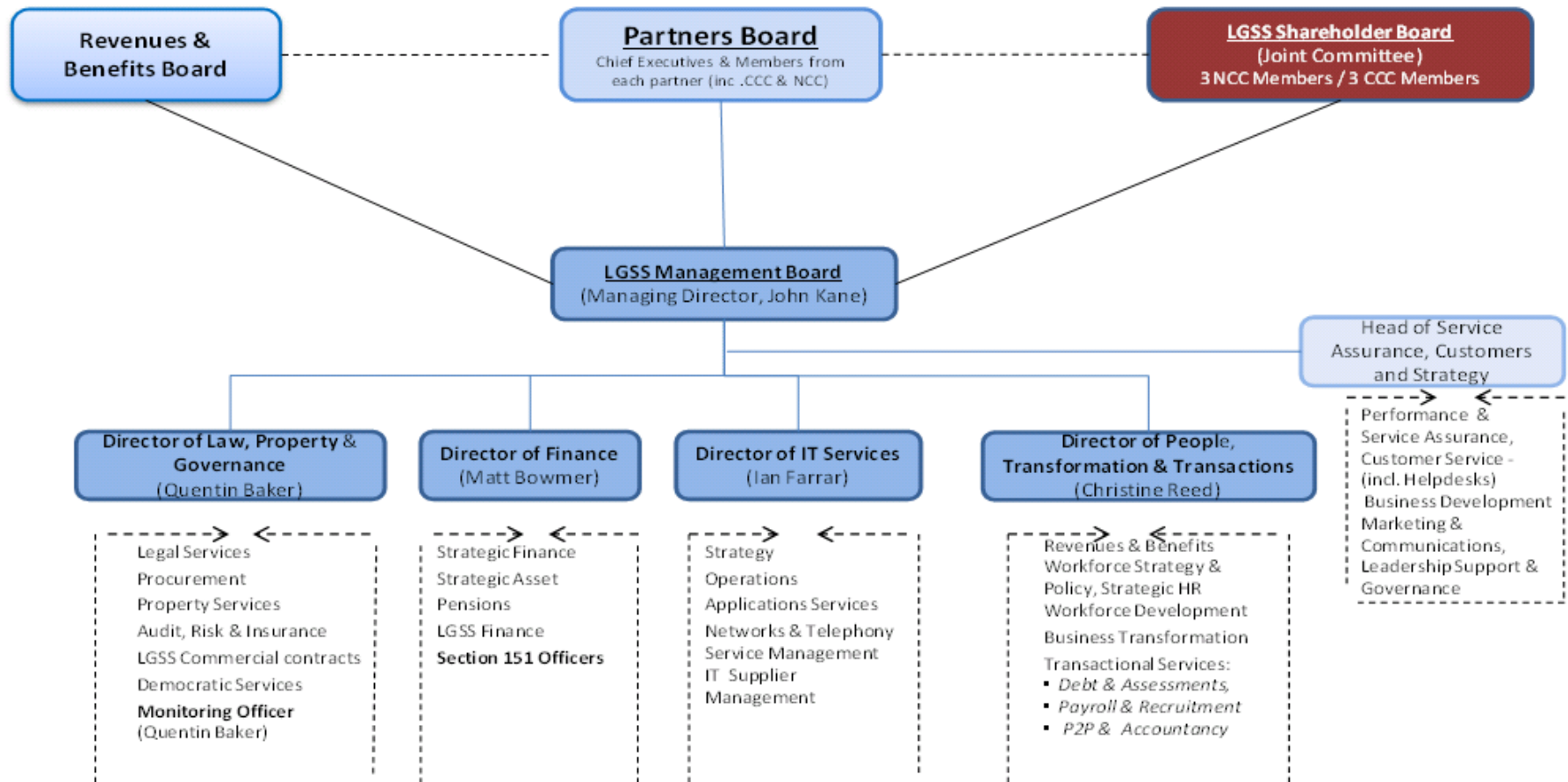
The key elements of the systems and processes that comprise the governance arrangements are described below:

Creating and Implementing a Vision

Good governance means developing and clearly communicating LGSS's plans and priorities to its key stakeholders. The following describes how LGSS achieves this:

- LGSS undertakes an annual planning process which takes accounts of the requirements of its client and customer councils and LGSS's objective of reducing unit costs through the expansion of LGSS:
- To ensure LGSS delivers its plans, it has recently enhanced its organisational structure to introduce a Service Assurance, Customers and Strategy Team which will co-ordinate a strong performance management framework which comprises:
 - The LGSS Business/Strategic Plan
 - Service Improvement Plans for each of the directorates in LGSS
 - Personal performance and development plans for all staff
 - Initial engagement with potential new customers
 - Service Assurance of existing customers and effective contract (partner and delegation agreement) management
 - LGSS business intelligence including performance reporting and trend analysis
 - LGSS communication and customer engagement
 - Management of LGSS Governance including the Partners Board and Revenue and Benefits Board

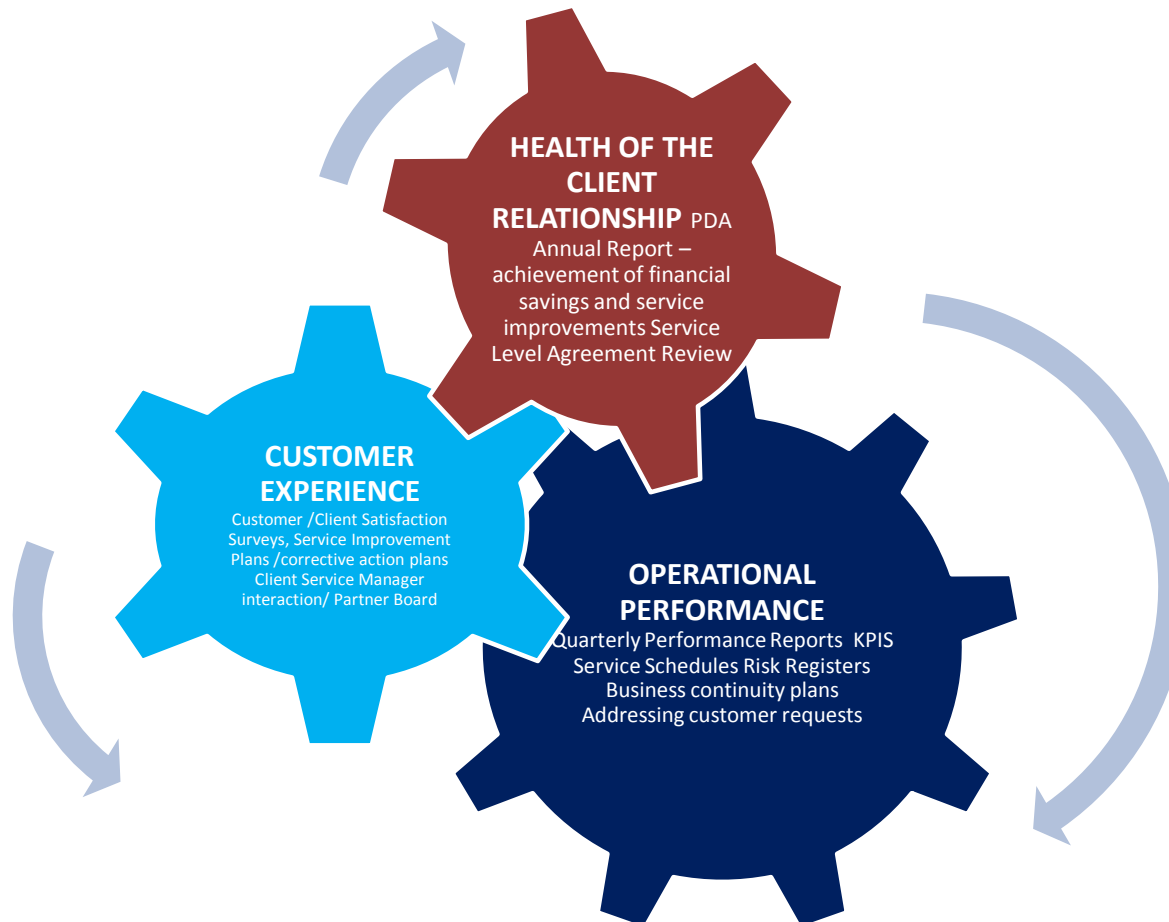
LGSS Management Governance Model



- On a monthly basis review of all performance standards is undertaken at strategic and directorate levels. On a quarterly basis overall performance is reported to the Management Board and the Joint Committee. Additionally individual client/customer performance data is reported to each client/customer in accordance with the relevant service specification.

The Service delivery model of LGSS managed by Service Assurance, Customers and Strategy is as follows:

LGSS Service Delivery



Roles and Responsibilities of Members and Officers

Good governance means elected members and officers working together to achieve a common purpose with clearly defined functions and roles. The following describes how LGSS achieves this:

- The Joint Committee is composed of 3 members appointed by each of the 2 client councils on a 4 yearly basis. The Joint Committee has an agreed Constitution which sets out how it operates and how decisions are made.
- The scheme of delegation in LGSS is based upon the delegations operating in the 2 client councils.
- Member and officer codes of conduct are complied with in accordance with the procedures operating in the Council which either the member is elected to or the officer employed by.
- The LGSS Management Board includes the Managing Director, four Directors, the Head of Service Assurance and the Chief Executives of the two client councils.
- LGSS operates to the policies and procedures in place in each of the client councils to ensure that, as far as possible, its elected members and officers understand their respective responsibilities. New members and employees receive induction and continued training on key policies and procedures as these are developed within each of the client councils.
- All LGSS directors and heads of service have responsibility for maintaining a sound system of internal control within their area of responsibility.
- LGSS Scrutiny Committee review the business plan, financial position and the business development approach of LGSS.

Standards of Conduct and Behaviour

Good governance means promoting appropriate values for LGSS and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how LGSS achieves this:

- A standards committee is in place in each council to review any complaints regarding any councillors, including LGSS members and to promote high standards of conduct and observance of the member codes of conduct.
- Each council's employee code of conduct sets out managers' responsibilities to bring the code to the attention of their staff (through induction, training and instruction) and their responsibility to take appropriate action if an employee fails to follow the code. The codes include a requirement for LGSS officers of each council to declare any conflicts of interest and/or gifts or hospitality, which should be formally registered.
- Each client council has Anti Fraud and Corruption, Whistle-blowing, Money Laundering policies in place which apply to LGSS.
- LGSS's financial management is conducted in accordance with the Northamptonshire Budget and Policy Framework Procedure Rules, Financial Procedure Rules and Contract

Procedure Rules. These rules set out the framework within which LGSS conducts its financial affairs and ensures proper financial arrangements are in place.

- The Joint Committee approves the LGSS budget before the start of each financial year. During the year, financial management information is reported to directorate management teams, the Management Board and the Joint Committee. Additionally all reports presented to the Joint Committee are also provided to the LGSS Overview and Scrutiny Committee.

Decision Making, Scrutiny and Risk Management

Good governance means taking informed and transparent decisions that are effectively scrutinised and manage risk. The following describes how LGSS achieves this:

- The Joint Committee takes executive decisions in accordance with its terms of reference.
- The Overview and Scrutiny Committee has the power to review and/or scrutinise decisions made or actions taken by the Joint Committee.
- LGSS is subject to internal audit review in accordance with the annual internal audit plans agreed by the audit committees of each of the client council's. LGSS Internal Audit operates in accordance with the Public Sector Internal Audit Standard. Internal Audit plans and prioritises its work chiefly using a risk based auditing approach and seeks to programme work based on risk, strength of control and materiality. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted to LGSS directors and to audit committees.
- LGSS complies with Northamptonshire County Council's risk management process which is underpinned by an approved Risk Management Policy and a Risk Management Statement of Required Practice (SORP). LGSS maintains a Strategic Risk Register and directorate risk registers which are required to be subject to regular formal review as outlined within the Risk Management SORP.

Developing Capacity and Capability of Members and Officers

Good governance means developing the capacity and capability of Members and Officers to be effective. The following describes how LGSS achieves this:

- The councillors on the Joint Committee are supported by the councillor development activity of their parent councils. LGSS Management Board are invited to present at the councillor training/workshop sessions.
- Formal performance appraisal and development programmes operate within LGSS, dependent upon which client council each staff member is employed by. These programmes include identifying and meeting, as appropriate, the development needs of staff. There is an induction programme for new staff and a full comprehensive workforce development programme delivered at all levels in LGSS.

Engaging with Stakeholders

- Good governance means engaging stakeholders to ensure LGSS delivers services which meet the needs of client and customer councils. LGSS operates to SLA s with all client and customer councils and has mechanisms for close client liaison at all times of the year.
- LGSS has developed its own website which seeks to identify it as a distinct (from the client councils) Support Service for public sector organisations. The website enables current and potential clients and customers to understand the nature of LGSS, what services it can provide and what skills, expertise and other resources it can offer.

Review of Effectiveness

LGSS has undertaken a review of the effectiveness of its governance framework, including the system of internal control. This review is informed by the work of the LGSS Directors, the Head of Internal Audit and Risk Management's annual reports and comments by the external auditors.

Staff in Internal Audit and Risk Management have undertaken a basic compliance review to ensure that key aspects of LGSS's Governance Framework have been applied during 2013-14.

The key evidence to support the review of effectiveness is outlined below:

1. Planning

LGSS operates a planning process which integrates all aspects of strategic, operational and financial planning which has the full involvement of the Joint Committee and all senior LGSS managers. This ensures financial plans realistically support the delivery of LGSS's Business Plan in the short and medium terms.

LGSS has developed a five year business plan (2013-2018), which it updates annually, which details its mission, values and priorities. The Business Plan was approved by the LGSS Joint Committee on 18 April 2013. Within this plan there are clear objectives in place for each Directorate which align with the business trading targets and the management of the client organisations finances.

2. Performance Management

LGSS has operated a performance management framework during 2013/14 covering all key LGSS activities. On a quarterly basis key performance data including financial has been reported to the LGSS Management Board and to clients and customers in accordance with service specifications. All LGSS performance is reported to Joint Committee on a regular basis. The meetings are quarterly but with monthly Joint Committee workshops as provisional dates for any key issues which LGSS need to discuss with Joint Committee.

Additionally there is a workforce performance management process operating at all levels of LGSS including the management of staff personal performance through personal performance and development plan processes.

The Service Assurance, Customers and Strategy Team was introduced part way through the year and now co-ordinates all aspect of operational performance management. This will enhance the formalisation of key aspects of LGSS governance.

3. The Joint Committee

The Joint Committee is responsible for key decisions. The Joint Committee meets formally on a quarterly basis, with informal workshop meetings in the diary on a monthly basis and makes decisions that are in line with LGSS's overall policies and budget. The Joint Committee receives regular monitoring reports on key aspects of control including performance and financial management.

4. Overview and Scrutiny Committee

The LGSS Overview and Scrutiny Committee is provided with all reports presented to the Joint Committee and determines which of those reports it will scrutinise. The Overview and Scrutiny Committee meets on a quarterly basis. The Committee is made up of three councillors from the two client councils. This is a working group which scrutinises the LGSS business plan and associated developments.

5. Management Board

The Management Board met on a monthly basis throughout 2013/14 and was attended by the four LGSS Directors, the Head of Service Assurance and the Chief Executives (or deputies) of the two client councils. On a fortnightly basis there are informal management board meetings where the Managing Director and his direct reports meet to discuss key topics.

6. Management

Each LGSS director has provided a self assurance statement in respect of 2013-14 that:

- They fully understand their roles and responsibilities
- They are aware of the principal statutory obligations and key priorities of LGSS and of the client and customer councils which impact on their services
- They have made an assessment of the significant risks to the successful discharge of LGSS's key priorities.
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks

7. Independent Assurance

Internal Audit has undertaken a number of reviews of activities undertaken within the LGSS environment. Review of the Head of Internal Audit and Risk Management's annual reports to the audit committees of the 2 client councils indicates that the general assurance level for the internal control over the systems and processes managed within the LGSS environment is substantial. In a small number of instances where the assurance level was moderate actions have been agreed with management which, when implemented, should raise the assurance level for these audit areas to substantial.

An assurance scoring mechanism is used to reflect the effectiveness of the Council's internal control environment. The table below details the five levels of assurance.

Assurance Level	Assurance Criteria
Full	There is a sound system of control designed to address the relevant risks with controls being consistently applied.
Substantial	There is a sound system of control, designed to address the relevant risks, but there is evidence of non-compliance with some of the controls.
Moderate	Whilst there is basically a sound system of control, designed to address the relevant risks, there are weaknesses in the system, that leaves some risks not addressed and there is evidence of non-compliance with some controls.
Limited	The system of control is weak and there is evidence of non compliance with the controls that do exist which may result in the relevant risks not being managed.
None	There is no system of internal control. Risks are not being managed.

8. External Audit

Whilst LGSS is not a separate legal entity, the Audit Commission has advised that owing to the growth of LGSS, it should be subject to external audit review. Therefore as from 2013/14 KPMG LLP has been appointed as LGSS External Auditor.

9. Risk Management

During 2013/14, LGSS did not maintain risk registers at a strategic and directorate level in accordance with its earlier decision to adopt the Northamptonshire County Council risk management approach. Additionally there was a lack of regular reporting to the LGSS Joint Committee on key LGSS risks. However during 2013/14 this weakness in governance arrangements was recognised by LGSS management and the Service Assurance, Customers and Strategy Team has been tasked with ensuring full compliance with the defined risk management approach.

10. Developing Capacity

LGSS has operated procedures during the period covered by this Statement to ensure training needs of staff are assessed against core competencies and any key training needs met. Additionally both client councils have provided or are in the process of providing appropriate training to Joint Committee councillors to enable them to effectively fulfil their duties.

11. Engagement

LGSS has engaged with its clients and customers throughout the year via quarterly performance meetings and the Partner Board. These processes have been reviewed during the year and have been or will be formalised to better meet the business needs of both clients and customers and LGSS itself. The LGSS website is current and appropriate to promote the LGSS offering.

Significant Governance Issues

The issues detailed below are assessed as being significant to the effectiveness of LGSS governance. We will over the coming year take appropriate steps to address these matters and further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Identified From	Issue	Description	Responsible Officer
Preparation of the Annual Governance Statement	LGSS Code of Governance	A code of governance to be developed specifically for LGSS, i.e. distinct from the codes of the 2 client councils	Managing Director
Director self assurance statement	Risk management	Compliance with the LGSS adopted risk management approach to be achieved	Managing Director

Conclusion and Evaluation

As Chair of the LGSS Joint Committee and LGSS Managing Director, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within LGSS to ensure effective internal control is maintained.

We are also satisfied that there are appropriate plans in place to address the weaknesses and ensure continuous improvement in the system of internal control.

Councillor Mac McGuire
Chair of the LGSS Joint Committee
Date: June 2014

John Kane
LGSS Managing Director
Date: June 2014

GLOSSARY

Accrual. An accrual is a sum included in our accounts to cover income or expenditure which belongs to the period covered by our accounts, but which was unpaid at the accounting date.

Balance sheet. A balance sheet is a summary of an organisation's financial position. It lists the values, in the books of account on a particular date, of all the organisation's assets and liabilities.

Carry forward. Amounts that are to be carried forward into the new financial year.

CIPFA. Chartered Institute of Public Finance and Accountancy

Creditor. This is someone we owe money to.

Current assets. These are short-term assets, such as debtors and bank balances.

Current liabilities. These are short-term liabilities which are due to be paid in less than one year such as bank overdrafts and money owed to suppliers.

Debtor. This is someone who owes us money.

Deficit. The amount by which expenditure exceeds income.

Dividend. The amount paid to the two founding authorities, split on a 50-50 basis.

Earmarked reserve. An earmarked reserve is money set aside for a specific purpose.

LGSS Joint Committee. The governing committee of LGSS, comprising three Councillors each from Northamptonshire County Council and Cambridgeshire County Council.

LGSS Management Board. Comprises the LGSS Managing Director and the four directors.

Payment in advance. A charge taken into account when preparing the financial statements, which are for benefits to be received in a period after the accounting date.

Partnering and Delegation Agreement. Partnership and Delegation Agreement is a shared service model, which takes shared services work from new customers through delegation of services agreements with other public bodies.

Provision. Money set aside in a set of accounts for liabilities, which are known to exist, but which cannot be measured accurately at the date of the accounts.

Related party/parties. This is a person or an organisation which has influence over another person or organisation.

Reserves. These are amounts set aside in one year's accounts, which can be spent in later years.

Revenue. Ongoing spending or income relating to the day to day activities of the organisation.

SerCOP. Service Reporting Code of Practice. Issued by CIPFA. Local authorities are required to prepare their accounts in accordance with this.

Surplus. The remainder after taking away all expenses from income.

The Code. The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) defines proper accounting practices for local authorities.