



Shared  
**Regulatory**  
Services

Gwasanaethau  
**Rheoliadol**  
a Rennir

## Shared Regulatory Service Joint Committee

Audited Statement of Accounts 2016/17 Year Ended 31st March  
2017

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# Shared Regulatory Service Joint Committee

## Statement of Accounts 2016/17 Year Ended 31<sup>st</sup> March 2017

### Narrative Report

#### Introduction

The Shared Regulatory Service (SRS) has completed its first full financial year trading. It was created on 1<sup>st</sup> May 2015 to provide a range of Regulatory Services within the local authority areas of Bridgend, Cardiff and the Vale of Glamorgan. The service is managed under a single management structure which covers Trading Standards, Environmental Health and Licensing functions.

The SRS is managed and administered by the Shared Regulatory Service Joint Committee, under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of two elected members from each authority. The Vale of Glamorgan Council became the Host Authority upon formation of the Joint Committee. The Joint Working Agreement (JWA) has been signed by the 3 authorities.

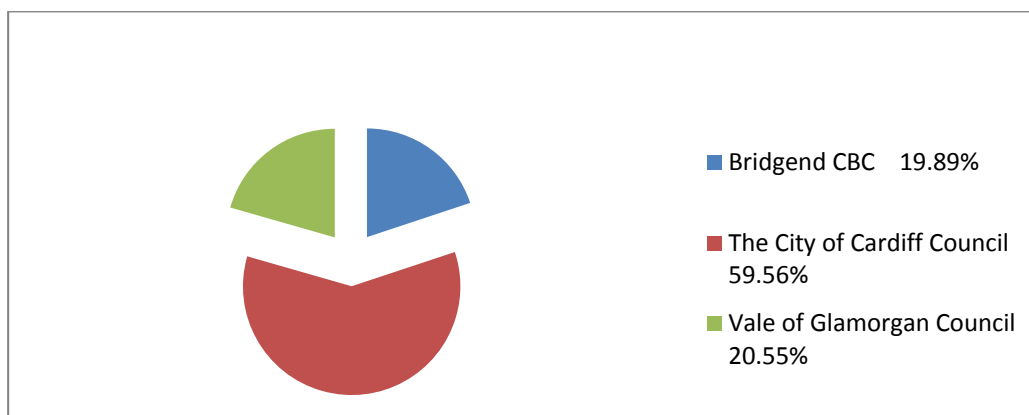
Staff from Bridgend and Cardiff Councils transferred to the Vale of Glamorgan Council as the host employer on the 1<sup>st</sup> May 2015. The staff restructuring exercise has been successfully completed, and the agreed new Operating Model has been in operation since 1<sup>st</sup> December 2015. Business processes have now been harmonised, which supports the service's ability to work in an agile manner.

Information contained within these accounts enables the user clarity on the nature of transactions in respect financial year ended 31<sup>st</sup> March 2017, and its financial composition as at that date.

These accounts will present:

- The financial statements legally required and their supporting notes; and
- The accounting policies that have been applied when preparing the accounts

#### Split of Core and Authority Specific Partner Funding in 2016/17



## Summary of Financial Performance

The financial position of the SRS is regularly reported to the SRS Board and Committee, the same report is also forwarded to the nominated senior manager of each Authority during the year.

Expenditure incurred by the SRS is split into three elements, Implementation, Core and Authority Specific Services. Both Implementation and Core Services budgets are apportioned on a pre-agreed population basis which is updated on an annual basis.

Authority Specific Services are unique to each authority. In the case of Licensing, there is a legal requirement that these remain seated in the legacy authority, with each having their own assigned Licensing Committee within the said legacy authority. Services which are not undertaken across all authorities areas, but occur within one part of the SRS area such as Night Time Noise Pollution, are charged directly to the relevant authority.

**The SRS 2016/17 gross expenditure budgets are shown on the following table.**

| Authority         | Participant Apportionment % | Implementation 2016/17 Budget £'000 | Core Services 2016/17 Budget £'000 | Authority Specific 2016/17 Budget £'000 |
|-------------------|-----------------------------|-------------------------------------|------------------------------------|---|
| Bridgend          | 22.47%                      | 91                                  | 1,387                              | 360                                     |
| Cardiff           | 57.23%                      | 231                                 | 3,533                              | 1,698                                   |
| Vale of Glamorgan | 20.30%                      | 82                                  | 1,253                              | 552                                     |
| <b>Total</b>      | <b>100.00%</b>              | <b>404</b>                          | <b>6,173</b>                       | <b>2,610</b>                            |

The table below illustrates the budgeted expenditure against the actual expenditure incurred for the period 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017.

| Category           | Budgeted Expenditure £'000 | Actual Expenditure £'000 | Variance £'000 |
|--------------------|----------------------------|--------------------------|----------------|
| Implementation     | 404                        | 341                      | 63             |
| Core Services      | 6,173                      | 5,898                    | 275            |
| Authority Specific | 2,610                      | 2,712                    | (102)          |
| <b>Total</b>       | <b>9,187</b>               | <b>8,951</b>             | <b>236</b>     |

It is the final year of the Implementation budget, which comprises the acquisition and implementation costs of a new IT system, which has cost less than the budget expectation. The £117k Tascomi purchase was capitalised, which was 100% funded by a contribution from the revenue account. The costs of alterations to accommodation and project management costs are also included in this heading, together with the anticipated actuarial cost of setting up the SRS as a separate employer within Cardiff and Vale Pension Fund. Funding for these items are reflected in the £102k transferred to Usable Reserves in 2016/17, and will be realised in 2017/18. This element of the budget was recharged to the partners at cost; no variance to budget has been retained by the service.

The main components relating to the Core underspend are due to issues associated with attracting suitably qualified staff to the Food teams, plus issues surrounding back filling maternity cover where the service had a higher proportion than the Council average of staff on maternity leave. Savings on transport are the result of the new operating model being implemented, and savings being achieved a year earlier than had been factored into the business case. These were partially offset by unbudgeted costs incurred as a result of a significant horse seizure in accordance with the Control of Horses (Wales) Act 2014, which was subsequently 50% match funded by a Welsh Government Grant.

The overspend within Authority Specific Services relates to Cardiff Council Licensing where staffing and Disclosure and Barring Service costs have exceeded the budget. However, this position can be offset by income received by the Authority and emulates the 2015/16 performance. There is also an overspend on the Illegal Money Lending Unit (IMLU) the majority of which will be met by grant.

### **Impact of the Current Economic Climate**

The outcome of the negotiations to leave the European Union will have an impact on the economic climate. This may affect the pace of the SRS moving towards a more commercial position in the immediate future.

### **Usable Reserves**

As at the 31<sup>st</sup> March 2017, the SRS held Usable Reserves of £530k. As authorised by the September 2016 Committee, £599k of the 2015/16 underspend was returned to the partner Authorities. Movements on the reserves are detailed within the Movement on Reserves Statement.

The JWA states that the treatment of any surplus or deficit balance held by the Joint Service requires agreement by the Joint Committee following completion of the audit of the annual accounts. Distribution of any surplus or the recovery of deficit positions will be presented to the September 2017 Joint Committee for approval.

### **Capital Expenditure**

In 2016/17, the SRS incurred £215k of capital expenditure which was 100% funded by a contribution from the revenue account. This includes £36k of vehicle replacements in IMLU, £62k of equipment being funded within Core in year plus £117k in respect of the procurement of the new IT system.

### **Annual Report**

The Annual Report for the first full year of the SRS can be accessed on the Council website:

[Shared Regulatory Services Annual Report reported to Committee 27th June 2017](#)

## **Pension Assets and Liabilities**

The value of the pension liability in 2016/17 is £11.160m. This value is based on a number of actuarial assumptions and can fluctuate between years.

In December 2016 the Joint Committee agreed to the proposal that the SRS Service be set up as a separate employer within the Cardiff and Vale Pension Fund. This work is still ongoing and may impact on future valuations.

## **Looking Forward**

Maximising the use of resources was the original catalyst for creating the SRS, and in 2017/18 the work in this area will continue. Reducing “triplication” of effort through the use of a single database, a single telephone number and the use of a single domain for e-mail communications are all focused towards making the optimum use of resources which in turn will improve service access for users. Embedding these changes in 2017/18 will realise the savings envisaged by the target operating model. Income generation opportunities that underpin service delivery such as marketing the metrology laboratory, building Primary Authority partnerships and extending training provision to businesses are examples of the move to a more commercial nature.

## **Further Information**

Further information regarding the accounts is available from the Section 151 Officer of the Vale of Glamorgan Council who is appointed as Treasurer of the Joint Committee and is located within the Resources Directorate, Civic Offices, Holton Road, Barry, CF63 4RU.

## **Introduction to the Financial Statements**

### **Statement of Accounting Policies**

The purpose of this statement is to explain the basis of the figures in the accounts; it outlines the accounting policies adopted.

### **Statement of Responsibilities for the Statement of Account**

This sets out the responsibilities of the Council as the administering Authority and the Head of Finance for the preparation of the Statement of Accounts. The Statement has to be signed and dated by the presiding member at the Joint meeting at which the accounts are approved.

### **Expenditure and Funding Analysis**

The objective of the Expenditure and Funding Analysis is to demonstrate to the funding partners (Bridgend County Borough Council, The City of Cardiff Council and the Vale of Glamorgan Council) how the available funding has been used in providing services in comparison with those resources consumed or earned by the authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the different elements of the SRS structure. Income and expenditure accounted for under generally

accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Joint Committee and analysed into 'Useable Reserves' (i.e. those that the Joint Committee may use to provide services subject to the need to maintain a prudent level of reserves, and the statutory limitations on their use) and 'Unusable Reserves'. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Joint Committee's Services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

### **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount funded by budgeted contributions. The budgeted funding contributions are shown in both the Expenditure and Funding Analysis and on the Movement in Reserves Statement

### **Balance Sheet**

The Balance Sheet shows the assets and liabilities recognised by the Joint Committee at the Balance Sheet date. The net assets of the Joint Committee (Assets less Liabilities) are matched by the reserves held by the Joint Committee. Reserves are reported in two categories. The first category of reserves are Usable Reserves i.e. those reserves that the SRS may use to provide services, subject to the need to maintain a prudent level of reserve and any statutory limitations on their use. The second category of reserve are called Unusable Reserves, and cannot be accessed by the SRS to fund the provision of services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis and regulations".

### **Cash Flow Statement**

The Cash Flow Statement shows the change in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows into operating and investing activities. The amount of net cash flows arising is a key indicator of the extent to which the operations of the Joint Committee are funded by the recipients of the services provided.

### **Annual Governance Statement**

The statement sets out the framework within which the Vale of Glamorgan Council as the administering authority manages and reviews internal control. It outlines the components of the framework, including the arrangements for Internal Audit and how the consortium has complied with the various elements of the framework.

## **Statement of Responsibilities for the Statement of Accounts for the Shared Regulatory Service**

### **The Council's Responsibilities**

The Council is required:

- To make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance; and
- To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.

The Joint Committee's Responsibilities

- To approve the accounts.

Signature: Councillor M Michael

Date: 26th September 2017

Vice Chair of Shared Regulatory Service Joint Committee

Vale of Glamorgan Council

Civic Offices

Holton Road

Barry

CF63 4RU



## **The Head of Finance as Treasurer of the Joint Committee**

The Head of Finance is responsible for the presentation of the Statement of Accounts. In terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, the Statement of Accounts is required to give a true and fair view of the financial position of the organisation at the accounting date, and its income and expenditure for the period ended 31<sup>st</sup> March 2017.

**1. In preparing the Statement of Accounts, the Head of Finance has:**

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

**2. The Head of Finance has also throughout the financial year:**

- Maintained proper accounting records that were kept up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

**3. Certificate of the Head of Finance as Treasurer of the Joint Committee**

I certify the Statement of Accounts gives a true and fair view of the financial position of the Joint Committee as at 31<sup>st</sup> March 2017, and its income and expenditure for the period then ended.

**Signature:** Carys Lord

**Date:** 26th September 2017

Head of Finance/Section 151 Officer

Carys Lord

Vale of Glamorgan Council

Civic Offices

Holton Road

Barry

CF63 4RU

### **Auditor General for Wales' report to the Members of the Shared Regulatory Services Joint Committee**

I have audited the accounting statements and related notes of the Shared Regulatory Services Joint Committee for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

Shared Regulatory Services Joint Committee's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of the responsible financial officer and the Auditor General for Wales**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 6 to 7, the responsible financial officer is responsible for the preparation of the statement of accounts which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Shared Regulatory Services Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### **Opinion on the accounting statements of Shared Regulatory Services Joint Committee**

In my opinion the accounting statements and related notes (including Expenditure and Funding Analysis):

- give a true and fair view of the financial position of Shared Regulatory Services Joint Committee as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

**Opinion on other matters**

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;  
or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement does not reflect compliance with guidance.

**Certificate of completion of audit**

I certify that I have completed the audit of the accounts of the Shared Regulatory Services Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Anthony Barrett

For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
28<sup>th</sup> September 2017

24 Cathedral Road  
Cardiff  
CF11 9LJ

## Shared Regulatory Service Expenditure and Funding Analysis 2016/17

| Expenditure and Funding<br>Analysis 2016/17               | Net Expenditure<br>Chargeable to<br>General Fund<br>Balances<br>£'000 | Adjustments<br>£'000 | Comprehensive<br>Income and<br>Expenditure 2016/17<br>£'000 |
|---|---|----------------------|---|
| Staff Costs   | 6,699   |                      | 6,699   |
| IAS Adjustment  | 90  |                      | 90  |
| Premises  | 30  |                      | 30  |
| Transport   | 156   |                      | 156   |
| Supplies & Services                                       | 980   |                      | 980   |
| Third Party Payments                                      | 22  |                      | 22  |
| Central Departmental Support                              | 1,411   | 132                  | 1,543   |
| CERA  | 215   | (215)                | 0   |
| Depreciation  | 0   | 3                    | 3   |
| Amortisation  | 0   | 18                   | 18  |
| Contributions from Local Authorities                      | (9,124)   |                      | (9,124)   |
| Grant Income  | (84)  |                      | (84)  |
| Fees and Charges  | (74)  |                      | (74)  |
| <b>Net Cost of Services</b>                               | <b>321</b>  | <b>(62)</b>          | <b>259</b>  |
| Other Income and Expenditure from<br>the Funding Analysis | 0   | 331                  | 331   |
| <b>(Surplus) or Deficit</b>                               | <b>321</b>  | <b>269</b>           | <b>590</b>  |
| Opening General Fund Balance at<br>31 March 2016          | (851)   |                      |   |
| Less Deficit on General Fund<br>Balance in Year           | 321   |                      |   |
| <b>Closing General Fund Balance<br/>at 31 March 2017</b>  | <b>(530)</b>  |                      |   |

**Shared Regulatory Service Expenditure and Funding Analysis  
2015/16 in respect of the period 1<sup>st</sup> May 2015 to 31<sup>st</sup> March 2016**

| Expenditure and Funding Analysis<br>2015/16 (11 months only) | Net<br>Expenditure<br>Chargeable to<br>General Fund<br>Balances<br>£'000 | Adjustments<br>£'000 | Comprehensive<br>Income and<br>Expenditure 2015/16<br>£'000 |
|--|--|----------------------|---|
| Staff Costs  | 7,503  | 98                   | 7,601   |
| IAS Adjustment   | 0  | 310                  | 310   |
| Premises   | 17   |                      | 17  |
| Transport  | 170  |                      | 170   |
| Supplies & Services  | 704  |                      | 704   |
| Third Party Payments   | 45   |                      | 45  |
| Central Departmental Support                                 | 25   |                      | 25  |
| CERA   | 0  |                      | 0   |
| Depreciation   | 0  |                      | 0   |
| Amortisation   | 0  |                      | 0   |
| Contributions from Local Authorities                         | (9,312)  |                      | (9,312)   |
| Grant Income   | 0  |                      | 0   |
| Fees and Charges   | (3)  |                      | (3)   |
| <b>Net Cost of Services</b>                                  | <b>(851)</b>   | <b>408</b>           | <b>(443)</b>  |
| Other Income and Expenditure from<br>the Funding Analysis    | 0  | 290                  | 290   |
| <b>(Surplus) or Deficit</b>                                  | <b>(851)</b>   | <b>698</b>           | <b>(153)</b>  |
| Opening General Fund Balance at 31<br>March 2015             | 0  |                      |   |
| Less Deficit on General Fund<br>Balance in Year              | (851)  |                      |   |
| <b>Closing General Fund Balance at<br/>31 March 2016</b>     | <b>(851)</b>   |                      |   |

Further analyses of the adjustments are shown in Note 10 to these accounts.

## SRS Movement in Reserves Statement 2015/16 and 2016/17

This statement shows the movement in the year on the different reserves held by the SRS, analysed into “Useable Reserves” (i.e. those that can be applied to fund expenditure) and “Unusable Reserves”

| Movement in Reserves Statement  | Shared Regulatory Service |                          |  |                              |   |  |                            |
|---|---------------------------|--------------------------|--|------------------------------|---|--|----------------------------|
|   | Notes                     | Usable Reserves<br>£'000 | Accumulated<br>Absence<br>Account<br>£'000 | Pensions<br>Reserve<br>£'000 | Capital<br>Adjustment<br>Account<br>£'000 | Total<br>Unusable<br>Reserves<br>£'000 | Total<br>Reserves<br>£'000 |
| <b>Shared Regulatory Service</b>                                      |                           |                          |  |                              |   |  |                            |
| Balance at 31 March 2015 Carried Forward                              |                           | 0                        | 0  | 0                            | 0   | 0                                      | 0                          |
| Movement in Reserves during 2015/16                                   |                           |                          |  |                              |   |  |                            |
| <b>Total Comprehensive Income &amp; Expenditure</b>                   |                           | <b>(153)</b>             | <b>0</b>                                   | <b>9,410</b>                 | <b>0</b>                                  | <b>9,410</b>                           | <b>9,257</b>               |
| Adjustments between Accounting Basis & Funding Basis                  | 11                        | (698)                    | 98   | 600                          | 0   | 698                                    | 0                          |
| <b>Increase / Decrease in Year</b>                                    |                           | <b>(851)</b>             | <b>98</b>                                  | <b>10,010</b>                | <b>0</b>                                  | <b>10,108</b>                          | <b>9,257</b>               |
| <b>Balance as at 31st March 2016 Carried Forward</b>                  |                           | <b>(851)</b>             | <b>98</b>                                  | <b>10,010</b>                | <b>0</b>                                  | <b>10,108</b>                          | <b>9,257</b>               |
| Movement in Reserves during 2016/2017                                 |                           |                          |  |                              |   |  |                            |
| <b>Total Comprehensive Income &amp; Expenditure</b>                   |                           | <b>590</b>               | <b>0</b>                                   | <b>730</b>                   | <b>0</b>                                  | <b>730</b>                             | <b>1,320</b>               |
| Adjustments between Accounting Basis & Funding Basis                  | 11                        | (269)                    | 43   | 420                          | (194)                                     | 269                                    | 0                          |
| <b>Net Increase / Decrease before Transfers to Earmarked Reserves</b> |                           | <b>321</b>               | <b>43</b>                                  | <b>1,150</b>                 | <b>(194)</b>                              | <b>999</b>                             | <b>1,320</b>               |
| Increase / Decrease in Year   |                           | 321                      | 43   | 1,150                        | (194)                                     | 999                                    | 1,320                      |
| <b>Balance as at 31st March 2017 Carried Forward</b>                  |                           | <b>(530)</b>             | <b>141</b>                                 | <b>11,160</b>                | <b>(194)</b>                              | <b>11,107</b>                          | <b>10,577</b>              |

**SRS Comprehensive Income and Expenditure Statement 2016/17**

| Period<br>1 <sup>st</sup> May 2015 to<br>31st March 2016<br>(11 months)<br>£'000 |   | Notes | Period Ended<br>31st March<br>2017<br>£'000 |
|--|---|-------|---|
|  | <b>Expenditure</b>  |       |   |
| 7,601  | Employees   | 5     | 6,699                                       |
| 310  | IAS 19  | 5     | 90  |
| 17   | Premises  | 6     | 30  |
| 170  | Transport   | 7     | 156   |
| 704  | Supplies & Services   | 8     | 980   |
| 45   | Third Party Payments  |       | 22  |
| 25   | Support Services  |       | 1,543                                       |
| 0  | Depreciation  |       | 3   |
| 0  | Amortisation  |       | 18  |
| <b>8,872</b>   | <b>Total Expenditure</b>                                    |       | <b>9,541</b>                                |
|  | <b>Income</b>   |       |   |
| 9,312  | Local Authority Contributions                               | 9     | 9,124                                       |
| 0  | Grants  | 9     | 84  |
| 3  | Other Income  | 9     | 74  |
| <b>9,315</b>   | <b>Net Cost of Services</b>                                 |       | <b>9,282</b>                                |
| <b>(443)</b>   | <b>Net Cost of Services</b>                                 |       | <b>259</b>                                  |
| 0  | Interest payable and Similar Charges                        | 26    | 1   |
| 290  | Net Interest on Net Defined Liability                       | 24    | 330   |
| <b>(153)</b>   | <b>(Surplus) or Deficit on the Provision of Services</b>    |       | <b>590</b>                                  |
| 9,800  | Transfer in of the Net Defined Benefit Liability/(Asset)    |       | 0   |
| (390)  | Re-measurement of the Net Defined Benefit Liability/(Asset) | 24    | 730   |
| <b>9,410</b>   | <b>Other Comprehensive Income and Expenditure</b>           |       | <b>730</b>                                  |
| <b>9,257</b>   | <b>Total Comprehensive Income and Expenditure</b>           |       | <b>1,320</b>                                |

**SRS Balance Sheet as at 31<sup>st</sup> March 2017**

| Period<br>1 <sup>st</sup> May 2015 to<br>31st March 2016<br>(11 months)<br>£'000 |  | Notes     | 31st March<br>2017<br>£'000 |
|--|--|-----------|-----------------------------|
| 0  | Property, Plant and Equipment                  | 13        | 95                          |
| 0  | Intangible Assets                              | 12        | 99                          |
| 0  | Long Term Investments                          |           | 0                           |
| 0  | Long Term Debtors                              |           | 17                          |
| <b>0</b>   | <b>Long Term Assets</b>                        |           | <b>211</b>                  |
| 0  | Short Term investment                          |           | 0                           |
| 0  | Assets Held for Sale                           |           | 0                           |
| 0  | Inventories                                    |           | 0                           |
| 2,121  | Short Term Debtors                             | 17        | 785                         |
| 0  | Cash and Cash Equivalents                      |           | 0                           |
| <b>2,121</b>   | <b>Current Assets</b>                          |           | <b>785</b>                  |
| 0  | Short Term Borrowing                           |           | 0                           |
| 1,368  | Short Term Creditors                           | 18        | 413                         |
| 0  | Provisions                                     |           | 0                           |
| 0  | Capital Grants Received in Advance             |           | 0                           |
| 0  | Cash and Cash Equivalents (Overdraft)          |           | 0                           |
| <b>1,368</b>   | <b>Current Liabilities</b>                     |           | <b>413</b>                  |
| 0  | Provisions (Long Term)                         |           | 0                           |
| 0  | Long Term Borrowing                            |           | 0                           |
| 10,010   | Other Long Term Liabilities (Pensions)         | 24        | 11,160                      |
| 0  | Capital Grants Received in Advance (Long Term) |           | 0                           |
| <b>10,010</b>  | <b>Long Term Liabilities</b>                   |           | <b>11,160</b>               |
| <b>9,257</b>   | <b>Net Assets</b>                              |           | <b>(10,577)</b>             |
| <b>(851)</b>   | <b>Useable Reserves</b>                        | <b>22</b> | <b>(530)</b>                |
| 98   | Accumulated Absences                           |           | 141                         |
| 0  | Capital Adjustment Account                     |           | (194)                       |
| 10,010   | Pensions Reserve                               | 24        | 11,160                      |
| <b>10,108</b>  | <b>Unusable Reserves</b>                       | <b>23</b> | <b>11,107</b>               |
| <b>9,257</b>   | <b>Total Reserves</b>                          |           | <b>10,577</b>               |



## SRS Cash Flow Statement 2016/17

| Period<br>1 <sup>st</sup> May 2015 to<br>31st March 2016<br>(11 months)<br>£'000 |  | 31st March 2017<br>£'000 |
|--|--|--------------------------|
| 153  | Net Surplus/(Deficit) on the provision of services   | (590)                    |
| (1,074)  | Adjust net surplus or deficit on the provision of services for non-cash movements (Note 19)                                      | 2,182                    |
| 0  | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 0                        |
| <b>(921)</b>   | <b>Net cash flows from operating activities</b>  | <b>1,592</b>             |
| 0  | Investing activities (Note 20)   | (215)                    |
| 0  | Financing activities   | 0                        |
| <b>(921)</b>   | <b>Net (increase)/ decrease in cash and cash equivalents</b>   | <b>1,377</b>             |
| 0  | Cash and cash equivalents at the beginning of the reporting period   | (921)                    |
| <b>(921)</b>   | <b>Cash Balance Owed To/(From) Host Authority as at 31st March</b>   | <b>456</b>               |

## Statement of Accounting Policies

### 1. Accounting Policies

The SRS is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which require them 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 (the Code) 2016/17, and the Service Reporting Code of Practice for Local Authorities 2016/17 (SeRCOP) and supported by International Financial Reporting Standards (IFRS) and statutory guidance. The accounts are prepared on a Going Concern basis.

### 2. Revenue Income and Expenditure

The transactions of the SRS are accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the SRS transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the SRS;
- Revenue from the provision of services is recognised when the SRS 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 the SRS;
- 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; and
- 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 be collected.

There are certain exceptions to this principle. The main items are:-

- (a) Electricity charges, telephone expenses, leasing and similar periodic payments are included in the Accounts on a payments basis and not accrued to the 31<sup>st</sup> March each year. Payments in respect of a full 12 months are included; and

The difference between the amounts charged annually to the Revenue Accounts in respect of items (a) and the amounts that would be charged if they were accrued to the 31<sup>st</sup> March each year is not significant.

### 3. Cash and Cash Equivalents

All cash transactions are administered by the Vale of Glamorgan Council as the Shared Regulatory Service does not operate its own Bank Account.

#### **4. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors**

A change in the accounting policies or to correct a material error can result in a prior period adjustment. Changes in accounting estimates do not give rise to a prior period adjustment, but are accounted for prospectively.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions of the SRS's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **5. Charges to Revenue for Non-Current Assets**

The following amounts are charged to revenue to record the cost of holding assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets chargeable to the service; and
- Amortisation of intangible non-current assets attributable to the service

The Budgeted Contributions are not required to fund depreciation, revaluation, impairment losses or amortisations, however, an annual contribution is required from revenue.

#### **6. Employee Benefits**

##### **Benefits Payable during Employment**

Short term employee benefits are those due to be settled within 12 months of the year end. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year end which employees can carry forward into the next financial year. Holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the SRS to terminate an officer's employment before the normal retirement date or an officers decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or where applicable to Non Distributed costs.

##### **Post-Employment Benefits**

Employees of the Joint Committee are members of the Local Government Pension Scheme, administered by Cardiff County Council Pension Authority. The scheme

provides defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Joint Committee.

## **The Local Government Pension Scheme**

### **The Local Government Scheme is Accounted for as a Defined Benefits Scheme**

- The liabilities of the Cardiff and Vale Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., plus projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate.
- The assets of the Cardiff and Vale Pension Fund attributable to the SRS are included in the Balance Sheets at their fair value.

The change in the net pension's liability is analysed into the following components.

### **Service Cost Comprising of**

- **Current Service Cost** – the increase in liabilities as a result of a year of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service(s) to which the employee worked.
- **Past Service Cost** – the increase in liabilities as a result of the scheme amendment of curtailment whose effect relates to years of service earned in earlier years. Debited to the surplus or deficit of services in the Comprehensive Income and Expenditure Statement as part of the Non Distributed Costs.
- **Net Interest** on the net defined benefit liability (asset), i.e. net increase expense for the SRS – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit (asset) during the period as a result of contribution and benefit payments.

### **Re-measurements Comprising**

- The return on plan assets, excluded in net interest on the net defined liability (asset), charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses, changed in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Statutory provisions require the Council Fund balance be charged with the amount payable by the SRS to the pension fund or directly to pensioners in the year in relation to retirement benefits

## **Discretionary Benefits**

The Shared Service also has restricted powers to make discretionary awards of retirements benefits in the event of early retirements.

## **7. Events after the Balance Sheet Date**

These are 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. Such events could result in the Statement of Accounts being adjusted. 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; and
- Those that are indicative of conditions that arose after the reporting period, the Statement of Accounts is then 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.

## **8. Government Grants and Contributions**

Government Grants, Third Party Contributions and Donations are recognised as due to the SRS when there is reasonable assurance that:

- The SRS will comply with the conditions attached to the payments; and
- The grant(s) or contributions will be received.

Grants and contributions advanced for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Once conditions are satisfied, the grants or contributions are credited to the Comprehensive Income and Expenditure Statement.

## **9. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the SRS is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the SRS.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

## **10. Leases**

The Shared Regulatory Service does not have any operating leases in 2016/17.

## **11. Overheads and Support Services**

The cost of overheads and support services charged to the Shared Regulatory Service are included in the Comprehensive Income and Expenditure Statement as part of the net expenditure.

## **12. Inventories**

The Shared Regulatory Service did not hold any inventory as at 31<sup>st</sup> March 2017.

## **13. Property, Plant and Equipment**

Revaluation of the assets of the SRS will be undertaken on a rolling five year cycle by an external valuer. An annual desk top review will also be undertaken for those assets not externally valued in the year.

Vehicles, Plant and Equipment are included at cost (less depreciation where required).

Expenditure on the acquisition or creation of Property, Plant and Equipment is capitalised on an accruals basis, provided that the future economic benefits or service potential associated with the item will flow to the SRS and the cost of the item can be measured reliably.

A de-minimis rule for capital has been applied – generally no capital expenditure valued at under £10,000 is included within the capital spend.

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

When decreases in value for individual assets are identified, they are accounted for either by setting it off against gains for the asset in the Revaluation Reserve, or against the relevant service lines in the Comprehensive Income and Expenditure Statement.

### **Impairment**

Assets are assessed at each year end as to whether there is an indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount is estimated and if this is less than the carrying amount an impairment loss is recognised for the shortfall. This is either set against the balance of the Revaluation Reserve if there have been previous valuation gains for the asset or it is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets over their useful lives. The useful life of these assets is determined as being five years.

Depreciation is calculated on the following basis:

- Vehicles, plant, furniture and equipment – over the life of the asset

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **14. Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

The Council sets aside provisions for specific future expenses that are likely or certain to be incurred, but the amount of which cannot yet be determined accurately. The Shared Regulatory Service did not hold any provisions as at 31<sup>st</sup> March 2017.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the SRS a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly in the control of the SRS. Contingent liabilities also arise in circumstances where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the SRS a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the SRS.

## **15. Specific Reserves**

These reserves represent sums of money that are voluntarily set aside for specific purposes. The purpose of these reserves is explained in Note 22 to the Balance Sheet.

## **16. Value Added Tax**

Income and expenditure excludes any amounts related to Value Added Tax (VAT), as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

## Notes to the Financial Statements

### 1. Accounting Standards That Have Been Issued But Have Yet To Be Adopted

Accounting Standards are subject to continual review by the International Accounting Standards Board and when changes are agreed, included in updates of the Accounting Code of Practice.

For 2016/17, the accounting policy changes that need to be reported relate to:

- Amendment to the reporting of pension fund scheme transaction costs; and
- Amendment to the reporting of investment concentration.

Implementation of the above will not be required until 1<sup>st</sup> April 2017. There will be no direct impact on the SRS's accounts in respect of this change which will have primary impact on the Pension Fund,

### 2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the SRS would have make certain judgements about complex transactions or those involving uncertainty about future events. However, there are none known at the date of the report.

### 3. Events After The Balance Sheet Date

The audited Statement of Accounts was authorised for issue by the Head of Finance (Section 151 Officer) on the 19th September 2017. Events taking place after this date are not reflected in the financial statements or notes. There have been no post balance sheet events prior to this date that have been reflected in the Statement of Accounts.

### 4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the SRS about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Joint Committee's Balance Sheet at 31<sup>st</sup> March 2017 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

#### Debtors

There is a small debt of £430 relating to 2015/16, which is currently being recovered. The remaining Shared Regulatory Service's debt at 31<sup>st</sup> March 2017 is less than a year old, therefore, no provision has been made in the accounts for doubtful debts.



### Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements related to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries has been engaged to provide the Shared Regulatory Service with expert advice about the assumptions to be applied.

### 5. Officers Emoluments

| Period 1 <sup>st</sup> May 2015 to 31 <sup>st</sup> March 2016<br>(11 months)<br>£'000 | Salaries and Wages       | 31 <sup>st</sup> March 2017<br>£'000 |
|--|--------------------------|--------------------------------------|
| 6,829  | Direct Employee Salaries | 6,482                                |
| 76   | Agency                   | 98                                   |
| 581  | Employee Redundancy      | 20                                   |
| 0  | New Pension Fund         | 46                                   |
| 13   | Indirect Staff Costs     | 8                                    |
| 98   | Accumulated Absence      |                                      |
|  | Adjustment               | 37                                   |
| 4  | Employee Advertising     | 8                                    |
| <b>7,601</b>   | <b>Sub Total</b>         | <b>6,699</b>                         |
| 310  | IAS 19                   | 90                                   |
| <b>7,911</b>   | <b>Total</b>             | <b>6,789</b>                         |

The New Pension Fund cost of £46k relates to the anticipated cost of setting up the SRS as a separate employer within the Cardiff and Vale Pension Fund as agreed by Joint Committee on the 20<sup>th</sup> December 2016.

In 2016/17 the management and administration costs were captured within the Central Department Support element of the Expenditure and Funding Analysis whereas in 2015/16 they were classified as staff costs.

### 6. Premises Costs

The following table analysis the Premises expenditure

| Period 1 <sup>st</sup> May 2015 to 31 <sup>st</sup> March 2016<br>(11 months)<br>£'000 | Premises Costs          | 31 <sup>st</sup> March 2017<br>£'000 |
|--|-------------------------|--------------------------------------|
| 8  | Repairs and Maintenance | 13                                   |
| 8  | Rents                   | 13                                   |
| 0  | Electrical              | 3                                    |
| 1  | Premises Running Costs  | 1                                    |
| <b>17</b>  | <b>Total</b>            | <b>30</b>                            |

## 7. Transport

The following table analyses the Transport expenditure for the year

| Period 1 <sup>st</sup> May 2015 to<br>31st March 2016<br>(11 months)<br>£'000 | Transport Costs   | 31st March<br>2017<br>£'000 |
|---|-------------------|-----------------------------|
| 48  | Hire of Transport | 57                          |
| 76  | Travel Expenses   | 51                          |
| 46  | Vehicle Costs     | 48                          |
| <b>170</b>  | <b>Total</b>      | <b>156</b>                  |

A change in the classification of recharges incurred in 2017, which meant that £28k of internal recharges from the Host Authority's garage facility have been shown against central department support costs.

## 8. Supplies & Services

The following table analyses the Supplies and Services expenditure for the year

| Period 1 <sup>st</sup> May 2015 to<br>31st March 2016<br>(11 month)<br>£'000 | Supplies and Services  | 31st March<br>2017<br>£'000 |
|--|------------------------|-----------------------------|
| 224  | Office Expenses        | 213                         |
| 96   | Testing Costs          | 95                          |
| 91   | Other                  | 0                           |
| 0  | Horse Costs            | 113                         |
| 0  | Consultants Fees       | 83                          |
| 59   | Disclosure & Barring   | 73                          |
| 0  | Delivery of Services   | 68                          |
| 82   | IT Costs               | 61                          |
| 32   | Training               | 56                          |
| 0  | Equipment Purchases    | 49                          |
| 12   | Insurance              | 41                          |
| 0  | Taxi Plates            | 26                          |
| 43   | Advertising            | 23                          |
| 0  | Hospitality/Conference | 21                          |
| 0  | Vets Fees              | 18                          |
| 0  | Funeral Costs          | 12                          |
| 10   | Audit                  | 12                          |
| 26   | Legal Fees             | 9                           |
| 29   | Subscriptions          | 7                           |
| <b>704</b>   | <b>Total</b>           | <b>980</b>                  |

## 9. Income

| Period 1 <sup>st</sup> May 2015 to<br>31st March 2016<br>(11 months)<br>£'000 | Contributions              | 31st March<br>2017<br>£'000 |
|---|----------------------------|-----------------------------|
| 2,058   | Bridgend CBC               | 1,824                       |
| 5,404   | The City of Cardiff        | 5,426                       |
| 1,850   | Vale of Glamorgan          | 1,874                       |
| <b>9,312</b>  | <b>Total Contributions</b> | <b>9,124</b>                |
| 0   | Grant Income               | 84                          |
| 3   | Fees and Charges           | 74                          |
| <b>9,315</b>  |                            | <b>9,282</b>                |

The income contributions from Authorities relates to Core and Authority Specific services provided by the SRS plus Implementation costs.

Grant Income of £52k was received from Welsh Government to 50% match fund the horse seizure costs included within Supplies and Services. A further grant from Welsh Government of £11k in respect of Food Hygiene, plus a grant of £21k was received from the Foods Standards Agency.

Fees and Charges income includes £50k recovery of costs relating to an out of Authority secondment, £11k of Primary Authority Income, plus £13k of new Fees and Charges generated by the service.

## 10. Notes to the Expenditure and Funding Analysis

| Notes to the Expenditure and Funding Analysis 2015/16 Period 1 <sup>st</sup> May 2015 to 31 <sup>st</sup> March 2016<br>(11 mths)               |  |   |                                |                                |
|---|--|---|--------------------------------|--------------------------------|
| Adjustments from General Fund to<br>arrive at the Comprehensive Income<br>and Expenditure Statement Amounts                                     | Adjustments<br>for Capital<br>Purposes<br>£'000s | Net Change<br>for Pensions<br>Adjustments<br>£'000s | Other<br>Differences<br>£'000s | Total<br>Adjustments<br>£'000s |
| Staff Costs   | 0  | 0   | 98                             | 98                             |
| IAS Adjustment  | 0  | 310   | 0                              | 310                            |
| Premises  | 0  | 0   | 0                              | 0                              |
| Transport   | 0  | 0   | 0                              | 0                              |
| Supplies & Services   | 0  | 0   | 0                              | 0                              |
| Third Party Payments  | 0  | 0   | 0                              | 0                              |
| Central Departmental Support  | 0  | 0   | 0                              | 0                              |
| Capital Charges   | 0  | 0   | 0                              | 0                              |
| Depreciation  | 0  | 0   | 0                              | 0                              |
| Amortisation  | 0  | 0   | 0                              | 0                              |
| Contributions from Local Authorities  | 0  | 0   | 0                              | 0                              |
| Grant Income  | 0  | 0   | 0                              | 0                              |
| Fees and Charges  | 0  | 0   | 0                              | 0                              |
| <b>Net Cost of Services</b>   | <b>0</b>   | <b>310</b>  | <b>98</b>                      | <b>408</b>                     |
| Other Income and Expenditure from the<br>Funding Analysis   | 0  | 290   | 0                              | 290                            |
| <b>Difference between the General Fund<br/>surplus or deficit and Comprehensive<br/>Income and Expenditure Statement<br/>Surplus or deficit</b> | <b>0</b>   | <b>600</b>  | <b>98</b>                      | <b>698</b>                     |

| <b>Notes to the Expenditure and Funding Analysis 2016/17</b>  |  |   |                                     |                                     |
|---|--|---|-------------------------------------|-------------------------------------|
| <b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>                        | <b>Adjustments for Capital Purposes<br/>£'000s</b> | <b>Net Change for Pensions Adjustments<br/>£'000s</b> | <b>Other Differences<br/>£'000s</b> | <b>Total Adjustments<br/>£'000s</b> |
| Staff Costs   | 0  | 0   | 0                                   | 0                                   |
| IAS Adjustment  | 0  | 0   | 0                                   | 0                                   |
| Premises  | 0  | 0   | 0                                   | 0                                   |
| Transport   | 0  | 0   | 0                                   | 0                                   |
| Supplies & Services   | 0  | 0   | 0                                   | 0                                   |
| Third Party Payments  | 0  | 0   | 0                                   | 0                                   |
| Central Departmental Support  | 0  | 89  | 43                                  | 132                                 |
| Capital Charges   | (215)  | 0   | 0                                   | (215)                               |
| Depreciation  | 3  | 0   | 0                                   | 3                                   |
| Amortisation  | 18   | 0   | 0                                   | 18                                  |
| Contributions from Local Authorities  | 0  | 0   | 0                                   | 0                                   |
| Grant Income  | 0  | 0   | 0                                   | 0                                   |
| Fees and Charges  | 0  | 0   | 0                                   | 0                                   |
| <b>Net Cost of Services</b>   | <b>(194)</b>                                       | <b>89</b>   | <b>43</b>                           | <b>(62)</b>                         |
| Other Income and Expenditure from the Funding Analysis  | 0  | 331   | 0                                   | 331                                 |
| <b>Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit</b> | <b>(194)</b>                                       | <b>420</b>  | <b>43</b>                           | <b>269</b>                          |

## 11. Adjustments Between Accounting Basis and Funding Basis Analysis

| <b>Adjustments Between Accounting Basis and Funding Basis Under Regulations 2015/16 Period 1<sup>st</sup> May 2015 to 31<sup>st</sup> March 2016 (11 months)</b> |                                  |  |                                   |   |  |
|--|----------------------------------|--|-----------------------------------|---|--|
| <b>Shared Regulatory Service</b>   | <b>Usable Reserves<br/>£'000</b> | <b>Accumulated Absence Account<br/>£'000</b> | <b>Pensions Reserve<br/>£'000</b> | <b>Capital Adjustment Account<br/>£'000</b> | <b>Total Unusable Reserves<br/>£'000</b> |
| Holiday Pay  | (98)                             | 98   | 0                                 | 0   | 98                                       |
| Reversal of Items Relating to retirement benefits debited or credited to the CIES  | 1,220                            | 0  | (1,220)                           | 0   | (1,220)                                  |
| Employers pension contributions and direct payments to pensions payable in year  | (1,820)                          | 0  | 1,820                             | 0   | 1,820                                    |
| Capital Expenditure financed from Revenue Balances   | 0                                | 0  | 0                                 | 0   | 0  |
| Charges for Depreciation/Impairment of Non-Current Assets  | 0                                | 0  | 0                                 | 0   | 0  |
|  | <b>(698)</b>                     | <b>98</b>                                    | <b>600</b>                        | <b>0</b>                                    | <b>698</b>                               |

| <b>Adjustments Between Accounting Basis and Funding Basis Under Regulations 2016/17</b> |                                  |  |                                   |   |                                    |
|---|----------------------------------|--|-----------------------------------|---|------------------------------------|
| <b>Shared Regulatory Service</b>  | <b>Usable Reserves<br/>£'000</b> | <b>Accumulated Absence Account<br/>£'000</b> | <b>Pensions Reserve<br/>£'000</b> | <b>Capital Adjustment Account<br/>£'000</b> | <b>Unusable Reserves<br/>£'000</b> |
| Holiday Pay   | (43)                             | 43   | 0                                 | 0   | 43                                 |
| Reversal of Items Relating to retirement benefits debited or credited to the CIES       | 860                              | 0  | (860)                             | 0   | (860)                              |
| Employers pension contributions and direct payments to pensions payable in year         | (1,280)                          | 0  | 1,280                             | 0   | 1,280                              |
| Capital Expenditure financed from Revenue Balances                                      | 215                              | 0  | 0                                 | (215)                                       | (215)                              |
| Charges for Depreciation/Impairment of Non-Current Assets                               | (21)                             | 0  | 0                                 | 21  | 21                                 |
|   | <b>(269)</b>                     | <b>43</b>                                    | <b>420</b>                        | <b>(194)</b>                                | <b>269</b>                         |

## 12. Intangible Assets

The SRS accounts for its software as intangible assets. Software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the SRS. The useful lives assigned to the major software suites used by the SRS are 5 years. The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £18k was charged to revenue in 2016/17. The movement on Intangible Asset balances during the year is as follows

|   | <b>Purchased Assets<br/>2015/16 (11 months)<br/>£'000</b> | <b>Purchased Assets<br/>2016/17<br/>£'000</b> |
|---|---|---|
| Balance at start of year                    | 0   | 0   |
| Gross carrying amounts                      | 0   | 0   |
| Accumulated Amortisation                    | 0   | 0   |
| <b>Net carrying amount at start of year</b> | <b>0</b>  | <b>0</b>                                      |
| Purchases                                   | 0   | 117   |
| Amortisation                                | 0   | (18)  |
| Other Disposals                             | 0   | 0   |
| Amortisation written off on disposal        | 0   | 0   |
| <b>Net carrying amount at end of year</b>   | <b>0</b>  | <b>99</b>                                     |

|   | <b>2015/16 (11 months)<br/>£'000</b> | <b>2016/17<br/>£'000</b> |
|---|--------------------------------------|--------------------------|
| Comprising                                |                                      |                          |
| Gross carrying amounts                    | 0                                    | 117                      |
| Accumulated Amortisation                  | 0                                    | (18)                     |
| <b>Net carrying amount at end of year</b> | <b>0</b>                             | <b>99</b>                |

### 13. Property, Plant & Equipment

| Movement on Balance in 2016/17                                     | Vehicles  | Equipment  | Total      |
|--|-----------|------------|------------|
|  | £'000     | £'000      | £'000      |
| <b>Cost or Valuation as at 1 April 2016</b>                        | <b>0</b>  | <b>0</b>   | <b>0</b>   |
| Additions  | 36        | 62         | 98         |
| <b>Cost or Valuation as at 31 March 2017</b>                       | <b>36</b> | <b>62</b>  | <b>98</b>  |
| <b>Accumulated depreciation and impairment as at 1 April 2016</b>  | <b>0</b>  | <b>0</b>   | <b>0</b>   |
| Depreciation charge  | 0         | (3)        | (3)        |
| <b>Accumulated Depreciation and Impairment as at 31 March 2017</b> | <b>0</b>  | <b>(3)</b> | <b>(3)</b> |

| Net Book Value 2016/17  | Vehicles  | Equipment | Total     |
|-------------------------|-----------|-----------|-----------|
|                         | £'000     | £'000     | £'000     |
| <b>At 31 March 2016</b> | <b>0</b>  | <b>0</b>  | <b>0</b>  |
| <b>At 31 March 2017</b> | <b>36</b> | <b>59</b> | <b>95</b> |

### 14. Related Party Transactions

In accordance with IAS 24, the Joint Committee has a duty to disclose any material transactions with a related party. This is to ensure that financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

All cash transactions are administered by the Host Authority as the Shared Regulatory Service does not operate its own bank account. As at the 31<sup>st</sup> March 2017, the Joint Committee is owed £456k from the Council relating to these transactions.

The Related Parties share of the income and expenditure in year is set out below:-

| 2015/16<br>Period 1 <sup>st</sup> May 2015<br>to 31 <sup>st</sup> March 2016<br>(11 months) |                 |                             | 2016/17              |                 |
|---|-----------------|-----------------------------|----------------------|-----------------|
| Expenditure<br>£'000  | Income<br>£'000 |                             | Expenditure<br>£'000 | Income<br>£'000 |
| 1,874   | 2,059           | Bridgend CBC                | 1,890                | 1,860           |
| 5,260   | 5,405           | The City of Cardiff Council | 5,784                | 5,516           |
| 1,738   | 1,851           | Vale of Glamorgan           | 1,867                | 1,906           |
| <b>8,872</b>  | <b>9,315</b>    | <b>Total</b>                | <b>9,541</b>         | <b>9,282</b>    |

During the year, transactions with Related Parties arose and are shown in the flowing table while debtor and creditor balances at year end are detailed in Note 17 and 18.

| 2015/16<br>Period 1 <sup>st</sup> May 2015<br>To 31 <sup>st</sup> March 2016<br>(11 months) |                 |                             | 2016/17              |                 |
|---|-----------------|-----------------------------|----------------------|-----------------|
| Expenditure<br>£'000  | Income<br>£'000 |                             | Expenditure<br>£'000 | Income<br>£'000 |
| 103   | 2,058           | Bridgend CBC                | 61                   | 1,824           |
| 640   | 5,404           | The City of Cardiff Council | 318                  | 5,426           |
| 3   | 1,850           | Vale of Glamorgan Council   | 17                   | 1,874           |
| <b>746</b>  | <b>9,312</b>    | <b>Total</b>                | <b>396</b>           | <b>9,124</b>    |

Welsh Government effect influence on the SRS via legislation and grant funding. The grant received in 2016/17 is detailed in note 9. As at 31<sup>st</sup> March 2017 there are no sums outstanding from Welsh Government.

Pension contributions are made to Cardiff and the Vale Pension Fund in respect of Joint Committee Employees.

Interests of Members of the Joint Committee are maintained in a register held by their own Local Authority.

## 15. Audit Fees

| 2015/16<br>£'000 |  | 2016/17<br>£'000 |
|------------------|--|------------------|
| 10               | Wales Audit Office Fees Relating to External Audit | 12               |
| <b>10</b>        | <b>Total</b>                                       | <b>12</b>        |

## 16. Leases

There are no long term Leases agreements at the Balance Sheet date. The Joint Committee holds no assets on Finance Leases.

## 17. Debtors

| 2015/16<br>Period 1 <sup>st</sup> May<br>2015 to 31 <sup>st</sup> March<br>2016<br>(11 months)<br>£'000 |  | 2016/17<br>£'000 |
|---|--|------------------|
| 0   | Government Bodies                          | 0                |
| 2,083   | Local Authorities                          | 291              |
| 0   | Vale of Glamorgan Council (Host Authority) | 456              |
| 38  | Other Entities and Individuals             | 38               |
| <b>2,121</b>  | <b>Total</b>                               | <b>785</b>       |
| 0   | Provision for Bad Debt                     | 0                |
| <b>2,121</b>  | <b>Balance as at 31st March 2017</b>       | <b>785</b>       |

### 18. Creditors

| 2015/16<br>Period 1 <sup>st</sup> May<br>2015 to 31 <sup>st</sup><br>March 2016<br>(11 months)<br>£'000 |                                      | 2016/17<br>£'000 |
|---|--------------------------------------|------------------|
| 1   | Government Bodies                    | 0                |
| 921   | Vale of Glamorgan (Host Authority)   | 0                |
| 282   | Other Local Authorities              | 198              |
| 65  | Other Non-Government Bodies          | 74               |
| <b>1,269</b>  | <b>Total</b>                         | <b>272</b>       |
| 99  | Employee Absences Accrual            | 141              |
| <b>1,368</b>  | <b>Balance as at 31st March 2017</b> | <b>413</b>       |

### 19. Cash Flow Statement - Operating Activities

| 2015/16<br>Period 1 <sup>st</sup> May<br>2015 to 31 <sup>st</sup><br>March 2016<br>(11 months)<br>£'000 |   | 2016/17<br>£'000 |
|---|---|------------------|
| 0   | Depreciation  | 3                |
| 0   | Amortisation  | 18               |
| 447   | Increase/ (Decrease) in Creditors   | (34)             |
| (2,121)   | (Increase)/Decrease in Debtors  | 1,775            |
| 600   | Movement on Pension Liability   | 420              |
| <b>(1,074)</b>  | <b>Adjustments to net surplus or deficit on the provision of services for non-cash movements.</b> | <b>2,182</b>     |

### 20. Cash Flow Statement – Investing Activities

| 2015/16<br>Period 1 <sup>st</sup> May<br>2015 to 31 <sup>st</sup> March<br>2016 (11 months)<br>£'000 |  | 2016/17<br>£'000 |
|--|--|------------------|
| 0  | Purchase of property, plant and equipment, investment property and intangible assets | (215)            |
| 0  | Other receipts from investing activities   | 0                |
| <b>0</b>   | <b>Net cash flows from investing activities</b>                                      | <b>(215)</b>     |



## 21. 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 SeRCOP. However, decisions about resource allocation are taken by Joint Committee on the basis of budget reports analysed across groups. These reports are prepared on a different basis from the accounting policies used in the financial statements. The following reconciles controllable costs to Net Cost of Services and to the (Surplus)/Deficit on Provision of Services.

| 31st March 2016<br>(11 months)<br>£'000 |  | 31st March<br>2017<br>£'000 |
|---|--|-----------------------------|
| (851)                                   | Net expenditure in Service Analysis                    | 321                         |
| 0                                       | Usable Reserves  | 0                           |
| 10,108                                  | Amounts in CIES not reported to management in analysis | 999                         |
| 0                                       | Amounts included in the analysis not included in CIES  | 0                           |
| <b>9,257</b>                            |  | <b>1,320</b>                |

### Reconciliation to Subjective Analysis Table

| Reconciliation to Subjective Analysis 2015/16 Period 1 <sup>st</sup> May 2015 to 31 <sup>st</sup> March 2016 (11 months) | Service Analysis | Amounts not reported for decision making | Amounts not included in the CIES | Total Comprehensive Income and Expenditure |
|--|------------------|--|----------------------------------|--|
|  | £'000            | £'000                                    | £'000                            | £'000                                      |
| Local Authority Contributions  | (9,312)          | 0  | 0                                | (9,312)                                    |
| Grant Income   | 0                | 0  | 0                                | 0  |
| Fees, Charges & other service income   | (3)              | 0  | 0                                | (3)  |
| <b>Total Income</b>  | <b>(9,315)</b>   | <b>0</b>                                 | <b>0</b>                         | <b>(9,315)</b>                             |
| Employee Expenses  | 7,503            | 0  | 0                                | 7,503                                      |
| Other Service Expenses   | 961              | 0  | 0                                | 961  |
| Pension Adjustment   | 0                | 10,010                                   | 0                                | 10,010                                     |
| Accumulated Absence  | 0                | 98                                       | 0                                | 98   |
| <b>Total Expenditure</b>   | <b>8,464</b>     | <b>10,108</b>                            | <b>0</b>                         | <b>18,572</b>                              |
|  |                  |  |                                  |  |
| <b>Total Comprehensive Income &amp; Expenditure</b>  | <b>(851)</b>     | <b>10,108</b>                            | <b>0</b>                         | <b>9,257</b>                               |

| Reconciliation to Subjective Analysis 2016/17       | Service Analysis | Amounts not reported for decision making | Amounts not included in the CIES | Total Comprehensive Income & Expenditure |
|---|------------------|--|----------------------------------|--|
|   | £'000            | £'000                                    | £'000                            | £'000                                    |
| Local Authority Contributions                       | (9,124)          | 0  | 0                                | (9,124)                                  |
| Grant Income  | (84)             | 0  | 0                                | (84)                                     |
| Fees, Charges & other service income                | (74)             | 0  | 0                                | (74)                                     |
| <b>Total Income</b>                                 | <b>(9,282)</b>   | <b>0</b>                                 | <b>0</b>                         | <b>(9,282)</b>                           |
| Employee Expenses                                   | 6,789            | 0  | 0                                | 6,789                                    |
| Other Service Expenses                              | 2,814            | 0  | 0                                | 2,814                                    |
| Depreciation, Amortisation and Impairment           | 0                | (194)                                    | 0                                | (194)                                    |
| Pension Adjustment                                  | 0                | 1,150                                    | 0                                | 1,150                                    |
| Accumulated Absence                                 | 0                | 43                                       | 0                                | 43                                       |
| <b>Total Expenditure</b>                            | <b>9,603</b>     | <b>999</b>                               | <b>0</b>                         | <b>10,602</b>                            |
|   |                  |  |                                  |  |
| <b>Total Comprehensive Income &amp; Expenditure</b> | <b>321</b>       | <b>999</b>                               | <b>0</b>                         | <b>1,320</b>                             |

## 22. Movement on Usable Reserves

The General Fund balance is a distributable revenue reserve, which consists of the accumulated surpluses of the Shared Regulatory Services' operations.

|   | General Reserves<br>£'000 | Earmarked Reserves<br>£'000 | Total Reserves<br>£'000 |
|---|---------------------------|-----------------------------|-------------------------|
| Balance as at 1st April 2016            | 851                       | 0                           | 851                     |
| 2015/16 Underspend Returned to Partners | (599)                     | 0                           | (599)                   |
| 2016/17 Underspend                      | 173                       | 0                           | 173                     |
| POCA Funds                              | 3                         | 0                           | 3                       |
| 2016/17 Implementation Reserve          | 0                         | 102                         | 102                     |
| <b>Balance as at 31st March 2017</b>    | <b>428</b>                | <b>102</b>                  | <b>530</b>              |

## 23. Movement on Unusable Reserves

|                                      | Pension Reserves<br>£'000 | Accumulated Absences<br>£'000 | Capital Adjustment<br>£'000 | Total Reserves<br>£'000 |
|--------------------------------------|---------------------------|-------------------------------|-----------------------------|-------------------------|
| Balance as at 1st April 2016         | (10,010)                  | (98)                          | 0                           | (10,108)                |
| Increase/(Decrease)                  | (1,150)                   | (43)                          | 194                         | (999)                   |
| <b>Balance as at 31st March 2017</b> | <b>(11,160)</b>           | <b>(141)</b>                  | <b>194</b>                  | <b>(11,107)</b>         |

### Pension Reserve

The Pension Reserve is the balancing account to offset the inclusion of Pension Liability in the Balance Sheet as require by IAS 19 Employee Benefits.

|  | <b>Pensions Reserve<br/>£'000</b> |
|--|-----------------------------------|
| Balance as at the 1st April 2016   | (10,010)                          |
| Re-measurements of net defined liability/(asset)                                     | (730)                             |
| Reversal of items relating to retirement benefits debited of credited                | 0                                 |
| To the Surplus or Deficit on the Provision of Services in the CIES                   | (330)                             |
| Employers pension contribution and direct payments to pensioners payable in the year | (90)                              |
| <b>Balance as at the 31st March 2017</b>   | <b>(11,160)</b>                   |

### Short Term Accumulated Absence Account

The short term accumulated absence account absorbs the differences that would otherwise arise on Shared Regulatory Services reserves from accruing for compensated absences earned but not yet taken in the financial year.

|   | <b>Accumulated Absences<br/>£'000</b> |
|---|---------------------------------------|
| Balance as at 1st April 2016                  | (98)                                  |
| Amount accrued to the end of the current year | (43)                                  |
| <b>Balance as at 31st March 2017</b>          | <b>(141)</b>                          |

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption on non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

| <b>2015/16<br/>Period 1<sup>st</sup> May 2015<br/>to 31<sup>st</sup> March 2016<br/>(11 months)<br/>£'000</b> | <b>Capital Adjustment Account</b>                       | <b>2016/17<br/>£'000</b> |
|---|---|--------------------------|
| <b>0</b>  | <b>Balance as at 1st April</b>                          | <b>0</b>                 |
| 0   | Charges for depreciation of non-current assets          | (3)                      |
| 0   | Amortisation of intangible assets                       | (18)                     |
| 0   | Capital Expenditure charged against the Council Balance | 215                      |
| <b>0</b>  | <b>Balance as at 31st March</b>                         | <b>194</b>               |

## 24. Retirement Benefits Defined Benefit Schemes

### Local Government Pension Scheme Funded Benefits

The disclosures below relate to the Joint Committee's share of the funded liabilities within the Cardiff and Vale of Glamorgan Pension Fund (the Fund) which is part of the Local Government Pension Scheme (the LGPS). The LGPS is a funded defined benefit plan with benefits earned up to 31<sup>st</sup> March 2014 linked to the final salary. Benefits earned after 31<sup>st</sup> March 2014 are based on a career Average Revalued Earnings scheme. Details of the benefits to be paid over the period covered by this disclosure are set out in the 'Local Government pension Scheme (Transitional Provision, Savings and Amendment) Regulations 2014'.

The funded nature of the LGPS requires the Employer and its employees to pay contributions into the Fund calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions is set out in the 'LGPS Regulations 2013' and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31<sup>st</sup> March 2016.

The Fund Administering Authority, City and County of Cardiff, is responsible for the governance of the Fund.

The Employer's regular contributions to the Fund for accounting period ended 31<sup>st</sup> March 2017 are estimated to be £1.25M.

Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the fund over the next accounting period. The effect of the SRS being set up as a separate employer within the Cardiff and Vale Pension Scheme may result in a change in level to the current employers' contribution in force.

Liabilities have been estimated by an independent qualified actuary on an actuarial basis using the projected unit credit method. The principle assumptions used by the actuary in updating the latest valuation of the Fund for IAS purposes were:

|   | <b>31st March 2016</b><br><b>% per annum</b> | <b>31st March 2017</b><br><b>% per annum</b> |
|---|--|--|
| Discount Rate                           | 3.5%   | 2.5%   |
| Rate of Increase to Pensions in Payment | 1.9%   | 2.0%   |
| Rate of Increase to Deferred Pensions   | 1.9%   | 2.0%   |
| Rate of Increase in Salaries            | 2.9%   | 3.0%   |

The discount rate is set with reference to corporate bond yields. If assets under perform, the yield will create a deficit in the accounts. The fund holds a significant proportion of growth assets which whilst expected to outperform corporate bonds in the long term create volatility and risk in the short term in relation to the accounting figures. A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in assets as a result.

The majority of the pension liabilities is linked to either price or pay inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit. The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

### Post Retirement Mortality (Retirement in Normal Health)

| Post Retirement Mortality         | 31st March 2016 | 31st March 2017 |
|-----------------------------------|-----------------|-----------------|
| <b>Males</b>                      |                 |                 |
| Member Aged 65 at Accounting Date | 23.8            | 23.0            |
| Member Aged 45 at Accounting Date | 25.9            | 24.0            |
| <b>Females</b>                    |                 |                 |
| Member Aged 65 at Accounting Date | 26.8            | 25.7            |
| Member Aged 45 at Accounting Date | 29.1            | 27.1            |

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. The assets allocated to the employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to these notional assets. The Fund is sizeable and largely liquid, and as a consequence there will be no significant restriction on realising assets if the situation arises. The assets are invested in a diversified spread of investments and the approximate split for the Fund as a whole is included in the disclosures.

The Administering Authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund if it forms part of their balanced investment strategy.

|                  | Asset Split as at 31st March 2016 | Asset Split as at 31st March 2017 |
|------------------|-----------------------------------|-----------------------------------|
| Equities         | 75.10%                            | 78.1%                             |
| Property         | 7.30%                             | 6.3%                              |
| Government Bonds | 8.10%                             | 8.5%                              |
| Corporate Bonds  | 7.20%                             | 5.8%                              |
| Cash             | 2.30%                             | 1.5%                              |
| Other            | 0.00%                             | -0.2%                             |
| <b>Total</b>     | <b>100.00%</b>                    | <b>100.00%</b>                    |

## Reconciliation of Funded Status to Balance Sheet

|  | Value at<br>31st March 2016<br>£M | Value at<br>31st March 2017<br>£M |
|--|-----------------------------------|-----------------------------------|
| Fair Value of Assets                               | 16.19                             | 14.95                             |
| Present Value of Funded Defined Benefit            | (26.20)                           | (26.11)                           |
| Obligation Funded Status                           | (10.01)                           | (11.16)                           |
| Unrecognised Asset                                 | 0                                 | 0                                 |
| <b>(Liability) Recognised on the Balance Sheet</b> | <b>(10.01)</b>                    | <b>(11.16)</b>                    |

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

|                     |     |
|---------------------|-----|
| Active Members      | 98% |
| Deferred Pensioners | 2%  |
| Pensioners          | 0%  |

Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further, the assets at exit in respect of 'Orphan Liabilities' may in retrospect not be sufficient to meet the liabilities. The risk may fall on other employers. 'Orphan Liabilities' are currently a small proportion of the overall liabilities in the Fund.

## Breakdown of Amounts Recognised in Surplus/Deficit on the Provision of Services and Other Comprehensive Income

|  | Period Ended<br>31st March 2016<br>£M | Period Ended<br>31st March 2017<br>£M |
|--|---------------------------------------|---------------------------------------|
| <b>Operating Cost</b>  |                                       |                                       |
| Current Service Cost   | 1.53                                  | 1.28                                  |
| Past Service Cost (inc. curtailments)                                      | 0.00                                  | 0.00                                  |
| Settlement Cost  | 0.00                                  | 0.00                                  |
| <b>Financing Cost</b>  |                                       |                                       |
| Interest on Net Defined Benefit Liability/(Asset)                          | 0.29                                  | 0.33                                  |
| <b>Pension Expense Recognised in Surplus or Deficit</b>                    | <b>1.82</b>                           | <b>1.61</b>                           |
| <b>Re-measurements in Other Comprehensive Income</b>                       |                                       |                                       |
| Return on Plan Assets (in excess of)/below that recognised in Net Interest | 1.04                                  | 3.32                                  |
| Actuarial (Gains)/Losses due to Changes in Financial Assumptions           | (1.43)                                | 10.12                                 |
| Actuarial (Gains)/Losses due to Changes in Demographic Assumptions         | 0.00                                  | (2.95)                                |
| Actuarial (Gains)/Losses due to Liability Experience                       | 0.00                                  | (9.76)                                |
| <b>Total Amount Recognised in Other Comprehensive Income</b>               | <b>(0.39)</b>                         | <b>0.73</b>                           |
| <b>Total Amount Recognised in Comprehensive Income &amp; Expenditure</b>   | <b>1.43</b>                           | <b>2.34</b>                           |

The current service costs included an allowance for the administration expenses of £0.02M at 31<sup>st</sup> March 2017.

**Changes to the Present Value of the Defined Obligation During the Period**

|  | Period Ended<br>31st March 2016<br>£M | Period Ended<br>31st March 2017<br>£M |
|--|---------------------------------------|---------------------------------------|
| <b>Opening Defined Benefit Obligation</b>                          | <b>24.97</b>                          | <b>26.20</b>                          |
| Current Service Cost   | 1.53                                  | 1.28                                  |
| Interest Expense on Defined benefit Obligation                     | 0.80                                  | 0.92                                  |
| Contribution by Participants                                       | 0.36                                  | 0.33                                  |
| Actuarial (Gains)/Losses due to Changes in Financial Assumptions   | (1.43)                                | 10.12                                 |
| Actuarial (Gains)/Losses due to Changes in Demographic Assumptions | 0.00                                  | (2.95)                                |
| Actuarial (Gains)/Losses due to Liability Experience               | 0.00                                  | (9.76)                                |
| Net Benefits Paid Out  | (0.03)                                | (0.03)                                |
| Past Service Cost Including Curtailments                           | 0.00                                  | 0.00                                  |
| Net Increase in Liabilities from Disposals/Acquisitions            | 0.00                                  | 0.00                                  |
| Settlements  | 0.00                                  | 0.00                                  |
| <b>Closing Defined Benefit Obligation</b>                          | <b>26.20</b>                          | <b>26.11</b>                          |

**Changes to the Fair Value of Assets During the Accounting Period**

|  | Period Ended<br>31st March 2016<br>£M | Period Ended<br>31st March 2017<br>£M |
|--|---------------------------------------|---------------------------------------|
| <b>Opening Fair Value of Assets</b>                | <b>15.17</b>                          | <b>16.19</b>                          |
| Interest Income on Assets                          | 0.51                                  | 0.59                                  |
| Re-measurements Gains/(Losses) on Assets           | (1.04)                                | (3.32)                                |
| Contributions by the Employer                      | 1.22                                  | 1.19                                  |
| Contribution by the Participant                    | 0.36                                  | 0.33                                  |
| Net Benefits Paid out                              | (0.03)                                | (0.03)                                |
| Net increase in Assets from Disposals/Acquisitions | 0                                     | 0                                     |
| Settlements  | 0                                     | 0                                     |
| <b>Closing Fair Value of Assets</b>                | <b>16.19</b>                          | <b>14.95</b>                          |

### Actual Return on Assets

|  | Period Ended<br>31st March 2016<br>£M | Period Ended<br>31st March 2017<br>£M |
|--|---------------------------------------|---------------------------------------|
| Interest Income on Assets                | 0.51                                  | 0.59                                  |
| Re-measurements Gains/(Losses) on Assets | (1.04)                                | (3.32)                                |
| <b>Actual Return on Assets</b>           | <b>(0.53)</b>                         | <b>(2.73)</b>                         |

### Sensitivity Analysis

#### Discount Rate Assumption

| Adjustment to Discount Rate                    | +0.1% p.a | Base<br>Figure | -0.1%<br>p.a |
|--|-----------|----------------|--------------|
| Present Value of Obligation (£M)               | 25.37     | 26.11          | 26.87        |
| % Change in Present Value of Total Obligation  | (2.8%)    |                | 2.9%         |
| Projected Service Cost (£M)                    | 1.65      | 1.71           | 1.77         |
| Approximate % Change in Projected Service Cost | (3.4%)    |                | 3.5%         |

#### Rate of General Increase in Salaries

| Adjustment to Salary Increase Rate             | +0.1% p.a | Base<br>Figure | -0.1% p.a |
|--|-----------|----------------|-----------|
| Present Value of Total Obligation (£M)         | 26.46     | 26.11          | 25.77     |
| % Change in Present Value of Total Obligation  | 1.3%      |                | (1.3%)    |
| Projected Service Cost (£M)                    | 1.71      | 1.71           | 1.71      |
| Approximate % Change in Projected Service Cost | 0.0%      |                | 0.0%      |

#### Rate of Increase to Pensions in Payment and Deferred Pension Assumption and Rate of Revaluation of Pension Account Assumptions

| Adjustment to Salary Increase Rate             | +0.1% p.a | Base<br>Figure | -0.1% p.a |
|--|-----------|----------------|-----------|
| Present Value of Total Obligation (£M)         | 26.52     | 26.11          | 25.71     |
| % Change in Present Value of Total Obligation  | 1.6%      |                | (1.5%)    |
| Projected Service Cost (£M)                    | 1.77      | 1.71           | 1.65      |
| Approximate % Change in Projected Service Cost | 3.5%      |                | (3.4)     |



**Post Retirement Mortality Assumption \***

| <b>Adjustment to Mortality Age Rating Assumption</b> | <b>- 1 year</b> | <b>Base Figure</b> | <b>+ 1 year</b> |
|--|-----------------|--------------------|-----------------|
| Present Value of Total Obligation (£M)               | 26.90           | 26.11              | 25.33           |
| % Change in Present Value of Total Obligation        | 3.0%            |                    | (3.0%)          |
| Projected Service Cost (£M)                          | 1.77            | 1.71               | 1.65            |
| Approximate % Change in Projected Service Cost       | 3.6%            |                    | (3.6%)          |

A rating of +1 year means that members are assumed to follow the mortality pattern for the base table for an individual that is 1 year older than them.

**25. Employee Emoluments****Officers Remunerated in Excess of £60,000**

The number of employees whose remuneration, excluding employer's pension contributions but including redundancy costs, were over £60,000 or more in bands of £5,000 are shown below.

| <b>Remuneration Band</b> | <b>2015/16<br/>No of Employees</b> | <b>2016/17<br/>No of Employees</b> |
|--------------------------|------------------------------------|------------------------------------|
| £60,000 - £64,999        | 0                                  | 0                                  |
| £65,000 - £69,000        | 1                                  | 0                                  |
| £70,000 - £74,999        | 0                                  | 1                                  |
| £75,000 - £79,999        | 0                                  | 0                                  |
| £80,000 - £84,999        | 1                                  | 0                                  |
| £85,000 - £89,999        | 1                                  | 0                                  |
| £90,000 - £94,999        | 0                                  | 0                                  |
| £95,000 - £99,000        | 0                                  | 0                                  |
| £100,000 - £104,999      | 0                                  | 0                                  |
| £105,000 - £109,999      | 0                                  | 0                                  |
| £110,000 - £114,999      | 0                                  | 0                                  |
| £115,000 - £119,999      | 0                                  | 0                                  |
| £120,000 - £124,999      | 0                                  | 0                                  |
| £125,000 - £129,000      | 0                                  | 0                                  |

**Exit Packages**

The number of exit packages with total cost per band and total cost of the compulsory and other departures are set out in the table below.

| <b>Exit Packages 2015/16</b>                               |                                     |   |   |
|--|-------------------------------------|---|---|
| <b>Exit Package Cost Band (Including Special Payments)</b> | <b>No of Other Departure Agreed</b> | <b>Total No of Exit Packages by Cost Band</b> | <b>Total Cost of Exit Packages in Each Band (£)</b> |
| £0 - £20,000   | 8                                   | 8   | 81,357  |
| £20,001 - £40,000  | 6                                   | 6   | 215,020   |
| £40,001 - £60,000  | 5                                   | 5   | 204,863   |
| £60,001 - £140,000   | 1                                   | 1   | 80,937  |
| <b>Total</b>   | <b>20</b>                           | <b>20</b>                                     | <b>582,177</b>                                      |

| <b>Exit Packages 2016/17</b>                               |                                     |   |   |
|--|-------------------------------------|---|---|
| <b>Exit Package Cost Band (Including Special Payments)</b> | <b>No of Other Departure Agreed</b> | <b>Total No of Exit Packages by Cost Band</b> | <b>Total Cost of Exit Packages in Each Band (£)</b> |
| £0 - £20,000   | 2                                   | 2   | 20,122  |
| £20,001 - £40,000  | 0                                   | 0   | 0   |
| £40,001 - £60,000  | 0                                   | 0   | 0   |
| £60,001 - £140,000   | 0                                   | 0   | 0   |
| <b>Total</b>   | <b>2</b>                            | <b>2</b>                                      | <b>20,122</b>                                       |

## 26. Interest

Interest is paid based on monthly average cash balances due to/from the Vale of Glamorgan Council.

|   | <b>2016/17<br/>£</b> | <b>%</b> | <b>2015/16<br/>£</b> | <b>%</b> |
|---|----------------------|----------|----------------------|----------|
| Interest charged on SRS Account Balance | £1,288.27            | 0.34%    | (281.57)             | 0.34%    |

## **VALE OF GLAMORGAN COUNCIL**

### **JOINT SHARED REGULATORY SERVICE**

#### **Annual Governance Statement 2016/17**

##### **1. Scope of Responsibility**

1.1 The Joint Shared Regulatory Service (SRS) has been commissioned by three Local Authorities namely:-

- Cardiff CC
- Bridgend CBC
- Vale of Glamorgan Council.

The scope of the Service is captured in the Joint Working Agreement (JWA). Some of the functions provided are legally mandated, statutory requirements, including the role of the Weights and Measures authority, the duties under the Health and Safety at Work Act etc. Others are non-statutory, but have been adopted to support the core Regulatory function and to support the corporate objectives of each partner Council. Examples include consumer advice and accreditation of landlords.

All of the Regulatory functions provided are underpinned by the following principles:

- This is a Strategically led service with a clear focus upon the relevant corporate priorities of the partner Authorities, i.e. safeguarding the vulnerable and promoting economic development;
- A clear focus upon the National Enforcement priorities for regulatory services;
- The use of a risk based approach to all activities;
- The service meets standards set out in the Regulators Compliance Code; and above all
- The maximisation of resources through income generation and partnership working to promote public health and wellbeing.

The Shared Regulatory Service is not responsible for:-

- Determination of licensing applications in relation to the Licensing Act 2003, the Gambling Act 2005, the Local Government Act 1976, the Town and Police Clauses Act 1847 or any licensing legislation where objections have been raised and an elected member decision is required;
- The decision to declare an air Quality Management area;
- Instituting legal proceedings in respect of prosecution, forfeiture or other Court process;
- House to Homes funding; or
- Anything that requires a council decision, e.g. Declaration of Additional Licensing area.

1.2 The participants have agreed and have formed a Joint Committee to provide the Shared Regulatory Service and have delegated to the Joint Committee the Regulatory Services Functions as set in in Schedule 1 Part 1 of the JWA.

## **2. The purpose of the governance framework**

- 2.1 The governance framework comprises the systems and processes, and cultural values, by which an organisation is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables an organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage the risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of aims and objectives, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.4 The following paragraphs summarise the overall governance framework and the system of internal control, which has been in place for the Shared Regulatory Services for the period covering 1st April 2016 to 31<sup>st</sup> March 2017.

## **3. The Governance Framework**

- 3.1 The CIPFA / Solace governance framework "Delivering Good Governance in Local Government 2016" set out the fundamental principles of corporate governance as follows:-
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
  - Ensuring openness and comprehensive stakeholder engagement.
  - Defining outcomes in terms of sustainable economic, social, and environmental benefits.
  - Determining the interventions necessary to optimise the achievement of the intended outcomes.
  - Developing the entity's capacity, including the capability of its leadership and the individuals within it.
  - Managing risks and performance through robust internal control and strong public financial management.
  - Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
- 3.2 This Governance Statement has used these principles to demonstrate how the overall governance arrangements for the Shared Regulatory Service for the period covering 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017 are deemed to be satisfactory. The Governance Statement does not document policies, procedures and working practices under each of these principles, but instead provides an overview of the governance and internal control processes and systems.

### **3.3 Joint Work Agreement (Legal Agreement)**

On the 10<sup>th</sup> April 2015 all parties formally signed the Joint Working Agreement with an agreed commencement date of 1<sup>st</sup> May 2015. The Joint Working Agreement provides the governance framework within which the Service operates and allocates responsibility and accountability, as follows:

- The Host Authority;
- The Joint Committee;
- Management Board;
- Head of Regulatory Services; and
- Financial Management.

### **3.4 The Joint Working Agreement is a detailed document which sets out the criteria and expectations for matters which include, but are not limited to:**

- The role of the Joint Committee and Management Board including Terms of Reference;
- The role of the Head of Regulatory Services;
- Financial matters and Lead Finance Officer role;
- Levels of service to be provided;
- Employees;
- Records and access to information including Data Protection and information governance;
- Termination and rights to withdraw; and
- Governing law and jurisdiction.

The Joint Working Agreement is kept under review and has been updated during the year, which has already been reported to both Bridgend CBC and Vale of Glamorgan Council's Committees and is due to be presented to Cardiff on the 6<sup>th</sup> July 2017.

### **3.5 The Host Authority**

The Joint Working Agreement formally assigns the Vale of Glamorgan Council as the Host Authority for the Shared Regulatory Service. The Vale of Glamorgan Council provides all support services for all those services within scope (save for the day to day administration undertaken by staff in accordance with their duties), required, including but not limited to:

- Financial (Section 151 Officer as defined by section 151 of the Local Government Act 1972, Accounts, Payroll, Creditors etc.) ;
- Human Resources;
- Health & Safety;
- Legal; and
- Internal Audit

### **3.6 The Management Board**

Sitting beneath the Joint Committee on the governance structure is an officer Management Board (MB). The composition, operation and Terms of Reference of the MB are set out in the Joint Working Agreement at Schedule 3. The MB is

## Shared Regulatory Service Joint Committee

described as a high level project/sounding board which operates from a strategic and operational level. The MB comprises of "one officer representative from and nominated by each of the Participants and the Head of Regulatory Services". Therefore the membership of the MB is as follows:

- Chairman: Director of Environment and Housing (VoGC)
- Corporate Director – Operational & Partnership Services (BCBC)
- Head of Shared Regulatory Services (VoGC)
- Corporate Director City Operations (CCC)

### 3.7 Financial Management

Section 11 of the Joint Working Agreement provides the framework within which the finances of the Shared Regulatory Services operate. The Joint Committee has adopted the financial regulations and Standing Orders for Contracts (however expressed) of the Host Authority from time to time in force. In accordance with the requirements of the Joint Working Agreement, the Joint Committee received and agreed the draft annual budget for 2017-18 prior to the deadline of the 31<sup>st</sup> December.

### 3.8 Service Structure

At the commencement of the Shared Regulatory Service on 1<sup>st</sup> May 2015, some 170 "in-scope" employees had successfully transferred from BCBC and CC to the host employer (VoGC). The new structure for the Shared Regulatory Service was fully completed by 1<sup>st</sup> December 2015. The Service has approximately 191 Full Time Equivalent (FTE) employees in total and is currently accessed and delivered through five points across the Bridgend, Cardiff and Vale boundaries.

### 3.9 Review of Effectiveness

Detailed within Schedule 5, of the JWA it states that the Host's external auditor (Wales Audit Office) will be the external auditor of the Shared Regulatory Service. It also states that, following each year-end the Host is required to prepare the annual accounts for the Joint Committee and Management Board and ensure that all relevant information is available for external inspection.

The Shared Regulatory Service also 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 the effectiveness is informed, in part, by the work of Internal Audit but also by the work undertaken by the overall Shared Regulatory Service's Structure of which there are nine tiers; these being:

- Joint Committee;
- Management Board;
- Head of Shared Regulatory Services;
- Operational Managers,
- Team Managers;
- Professional,
- Senior Technical,
- Technical and
- Support.

3.10 During 2016/17 the Joint Committee received regular reports as set out in their "Dates and Deadlines" timetable which shows the meetings scheduled for a

## Shared Regulatory Service Joint Committee

period up to twelve months. In addition, the Joint Committee's Terms of Reference are clearly set out in the JWA.

### 3.11 Internal Audit

3.12 During 2016/17, internal audit undertook a review of the Shared Regulatory Services governance framework. The objective of the audit was to provide the necessary assurance to the Shared Regulatory Services Joint Committee at the June 2016 AGM that financial controls of the service are operating effectively and in compliance with the Council's Financial Procedure Rules and to ensure that recommendations made following the Internal Audit Food & Feed Law review completed in 2016/17 have been implemented.

3.13 The objectives of the review are to ascertain the extent to which the assessed risks have been identified and managed and to evaluate whether effective controls which mitigate the risks have been established within the systems and processes and that these have operated effectively throughout the period under review.

3.14 Satisfactory evidence was provided to enable the Auditor to gain reasonable assurance that recommendations had been implemented in relation to the Food & Feed Law review and the necessary improvements demonstrated.

3.15 Through testing, the auditor was able to determine that the control environment in relation to the governance arrangements over financial and other related controls including budget monitoring / reporting and procurement processes across the Shared Regulatory Services were satisfactory.

3.16 Internal Audit have taken into consideration the Shared Regulatory Service and its finances as part of the annual risk assessment process and have included this area within the 2017/18 and 2018/19 Audit Plans.

3.17 The 2016/17 Statement of Accounts will be audited by the Vale of Glamorgan's External Auditors – Wales Audit Office and reported to the Joint Committee in accordance with the Joint Working Agreement.

3.18 The Joint Working Agreement has been signed and sealed by all the relevant participants and the Participants Constitutions clearly demonstrate that these officers are delegated to execute the Joint Working Agreement. In addition, during the year the Joint Working Agreement has been reviewed to ensure it remains effective.

3.19 The Management Board has been set up in accordance with the Joint Working Agreement and a schedule of meeting dates has been set for the year in accordance with the requirements of the Joint Committee. The Management Board continues to operate effectively and in accordance with its terms of reference.

3.20 In accordance with clause 5.1 of the Joint Working Agreement, the Head of Shared Regulatory Services and the Section 151 Officer have prepared the Annual Report for the period 2016-17, which will be presented to the Joint Committee in June 2017.

**4. Significant Governance Issues**

4.1 **Definition of Governance:** A series of policies, roles, responsibilities and processes that set the way an organisation is directed, administrated and controlled.

4.2 **Definition of a Significant Governance Issue:** A specific area of the Organisation's work that requires Senior Management attention to ensure that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner, to support improved outcomes for local people.

4.3 There are no significant governance issues raised during 2016/17.

**4.4 Certification of Annual Governance Statement**

We can confirm, to the best of our knowledge and belief, this statement provides an accurate and fair view of the overall governance arrangements for the Shared Regulatory Services.

Signed:  26/6/17

Councillor Gwyn John - Chair of the Shared Regulatory Services

Signed:  27.6.17

Cary Lord – Section 151 Officer

Signed:  27/6/17

Miles Punter – Chair of the Shared Regulatory Services Management Board



Signed :

A handwritten signature in dark ink, appearing to read "D. Holland". The signature is written in a cursive style with a large initial "D" and a long horizontal stroke.

23/6/17.

**Dave Holland – Head of the Shared Regulatory Services**