



Shared  
**Regulatory**  
Services

Gwasanaethau  
**Rheoliadol**  
a Rennir

## Shared Regulatory Service Joint Committee

Statement of Accounts 2015/16 Year Ended 31st March 2016

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# Shared Regulatory Service Joint Committee

Statement of Accounts 2015/16 Year Ended 31st March 2016

## Narrative Report

### Introduction

The Shared Regulatory Service (SRS) 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 and covers the 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. A Joint Working Agreement has been signed by the 3 authorities.

Some 170 staff transferred from Bridgend and Cardiff Council's to the Vale of Glamorgan Council, as host employer, on the 1st May 2015. The first year of the SRS has been dominated by the move towards, and development of, the new Operating Model agreed by the three Councils in Autumn 2014. One of the main priorities in the move to the new Operating Model was a staff restructuring exercise which became operational on 1st December 2015. Further work has to be undertaken in order to harmonise business processes.

The information contained within these accounts allows the user to see the nature of the transactions from 1<sup>st</sup> May 2015 to 31<sup>st</sup> March 2016 and its financial composition as at that date.

These accounts will present:

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

### Summary of Financial Performance

Expenditure incurred by the SRS is split into Core Services and Authority Specific Services.

Core Services are provided to all three authorities and are apportioned to each authority on a pre-agreed population basis as shown in the following table.

Shared Regulatory Service Joint Committee

<b>Authority</b>	<b>Core Services 2015-16 Gross Budget £'000</b>	<b>Participant Apportionment %</b>
	<b>6,395</b>	<b>100%</b>
Bridgend	1,443	22.56%
Cardiff	3,648	57.04%
Vale of Glamorgan	1,304	20.40%

Certain services are Authority Specific either because they are required to be such as Licensing or they are services that are only purchased by a specific authority e.g. Night Time Noise Pollution. Actual costs for these specific services are charged directly to the relevant authority.

The table below shows the budgeted expenditure against actual expenditure for the period 1<sup>st</sup> May 2015 to 31<sup>st</sup> March 2016 for all services:

<b>Gross Expenditure</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Core Services	6,395	5,526	869
Authority Specific Services	2,324	2,342	(18)
<b>Total</b>	<b>8,719</b>	<b>7,868</b>	<b>851</b>

One of the main factors contributing to the underspend in Core Services was the reduced staffing costs due to posts remaining vacant longer than had initially been assumed in the budget. Vacant posts have also resulted in the reduction of expenditure in other areas such as transport and supplies and services.

The small overspend relating to Authority Specific Services was mainly in the area of Licensing at Cardiff Council, where additional staffing were required. This position was more than offset by the income received directly by Cardiff Council for this service.

There was also an implementation budget approved for the service in 2015/16 of £1.080m, which covered redundancy costs, IT set up costs and project management. The year end position for this budget was an underspend of £487k. This was in the main because of the new software solution for the SRS which will now be implemented during 2016/17. In addition, anticipated alterations to accommodation which had originally been planned to be spent during 2015/16 will now take place in 2016/17.

## Shared Regulatory Service Joint Committee

As at 31<sup>st</sup> March 2016 the SRS held Usable Reserves of £851k. Movements on reserves are detailed within the Movement in Reserves Statement.

The Joint Working Agreement 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. Discussions are currently ongoing with authorities as to the proposed use and/or distribution of the surplus and final proposals will be presented to the Joint Committee for approval.

### Capital Expenditure

No Capital Expenditure took place during 2015/16.

### Annual Report

The Annual Report for the first year of the SRS can be accessed on the Council website : [Shared Regulatory Services Annual Report.](#)

### Pensions Assets and Liabilities

Work has been undertaken by the Council's actuary Aon Hewitt, as appointed by Cardiff and Vale Pension Fund, to assess the cost of service and value of the assets and liabilities for the staff employed in the Shared Regulatory Service in 2015/16.

The value of the pension liability in 2015/16 is £10.010m. This value is based on a number of actuarial assumptions, and will fluctuate between years

### Looking Forward

In 2016/17, the service's principal challenge is to implement fully the target-operating model to deliver high quality services and to meet all the partners differing financial pressures. The service will implement a new IT system which will replace the existing separate authority systems and this will further harmonise the business processes.

### Further Information

Further information regarding the accounts is available from the Managing Director and 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 Accounts

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.

## Shared Regulatory Service Joint Committee

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Joint Committee, 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 any 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 is prepared to record income and expenditure on an accruals basis. It includes items such as salaries and wages, running costs of the service and income received. This statement is based on International Financial Reporting Standards (IFRS).

### Balance Sheet

The Balance Sheet shows the Balance Sheet date of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee.

### 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 from the recipients of the services provided.

### Annual Governance Statement

The statement sets out the framework within which the Vale of Glamorgan Council as 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.

## Shared Regulatory Service Joint Committee

### 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 of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance.
- 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:

Date:

Chair of Shared Regulatory Service Joint Committee

Vale of Glamorgan Council  
Civic Offices  
Holton Road  
Barry  
CF63 4RU

## Shared Regulatory Service Joint Committee

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

The Head of Finance is responsible for the preparation 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 2016.

#### **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 give a true and fair view of the financial position of the Joint Committee as at 31<sup>st</sup> March 2016 and its income and expenditure for the period then ended.

Signature:

Date:

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 Shared Regulatory Services Joint Committee

I have audited the accounting statements and related notes of Shared Regulatory Services Joint Committee for the year ended 31 March 2016 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 2015-16 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 6-7, 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.

Shared Regulatory Service Joint Committee

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Shared Regulatory Services Joint Committee as at 31 March 2016 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 2015-16.

### **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 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.

For and on behalf of

Huw Vaughan Thomas

Auditor General for Wales

September 2016

24 Cathedral Road

Cardiff

CF11 9LJ

Movement in Reserves Statement for the Period ended 31<sup>st</sup> March 2016

	General Reserves SRC	Earmarked Reserves	Total Useable Reserves	Total Unusable Reserves	Total SRC Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 31<sup>st</sup> March 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Movement in Reserves during 2015/16					
Surplus or (deficit) on the provision of services (accounting basis)	153	0	153	0	153
Other comprehensive income and expenditure	0	0	0	(9,410)	(9,410)
<b>Total comprehensive income and expenditure</b>	<b>153</b>	<b>0</b>	<b>153</b>	<b>(9,410)</b>	<b>(9,257)</b>
Adjustments between accounting basis and funding basis under regulations	698	0	698	(698)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>851</b>	<b>0</b>	<b>851</b>	<b>(10,108)</b>	<b>(9,257)</b>
Transfers to/(from) Earmarked Reserves	0	0	0	0	0
<b>Increase/(Decrease) in 2015/16</b>	<b>851</b>	<b>0</b>	<b>851</b>	<b>(10,108)</b>	<b>(9,257)</b>
<b>Balance at 31<sup>st</sup> March 2016</b>	<b>851</b>	<b>0</b>	<b>851</b>	<b>(10,108)</b>	<b>(9,257)</b>

## Comprehensive Income and Expenditure Statement

	Notes	Period ended 31 <sup>st</sup> March 2016
		£'000
<b>Expenditure</b>		
Employees	5	7,601
IAS 19		310
Premises		17
Transport	6	170
Supplies and Services	6	704
Third Party Payments		45
Support Services		25
<b>Total Expenditure</b>		<b>8,872</b>
<b>Income</b>		
Local Authority Contributions		9,312
Grants		0
Other Income		3
<b>Total Income</b>	7	<b>9,315</b>
<b>Net Cost of Services</b>		<b>(443)</b>
Interest Receivable and Similar Income		0
Interest Payable and Similar Charges		0
Net Interest on Net Defined Liability		290
<b>(Surplus) or Deficit on the Provision of Services</b>		<b>(153)</b>
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment		0
(Surplus) or Deficit on Revaluation of Available for Sale Assets		0
Transfer in of the Net Defined Benefit Liability/(Asset)	16	9,800
Remeasurements of the Net Defined Benefit Liability/(Asset)	16	(390)
<b>Other Comprehensive Income and Expenditure</b>		<b>9,410</b>
<b>Total Comprehensive Income and Expenditure</b>		<b>9,257</b>

No previous year figures are shown as the Shared Regulatory Service commenced on 1<sup>st</sup> May 2015.

Shared Regulatory Service Joint Committee

Balance Sheet as at 31<sup>st</sup> March 2016

	Notes	31 <sup>st</sup> March 2016
		£'000
Property, Plant and Equipment		0
Intangible Assets		0
Long Term Investments		0
Long Term Debtors		0
<b>Long Term Assets</b>		<b>0</b>
Short Term Investment		0
Assets Held for Sale		0
Inventories		0
Short Term Debtors	11	2,121
Cash and Cash Equivalents		0
<b>Current Assets</b>		<b>2,121</b>
Short Term Borrowing		0
Short Term Creditors	12	1,368
Provisions		0
Capital Grants Received in Advance		0
Cash and Cash Equivalents (Overdraft)		0
<b>Current Liabilities</b>		<b>1,368</b>
Provisions (Long Term)		0
Long Term Borrowing		0
Other Long Term Liabilities (Pensions)	16	10,010
Capital Grants Received in Advance (Long Term)		0
<b>Long Term Liabilities</b>		<b>10,010</b>
<b>Net Assets</b>		<b>(9,257)</b>
Usable Reserves	14	851
Unusable Reserves	15	(10,108)
<b>Total Reserves</b>		<b>(9,257)</b>

No previous year figures are shown as the Shared Regulatory Service commenced on 1<sup>st</sup> May 2015.

## Cash Flow Statement

	<b>31<sup>st</sup> March 2016</b>
	<b>£'000</b>
<b>Net (Surplus) /Deficit on the provision of services</b>	(753)
Adjustment to net surplus or deficit on the provision of services for non-cash movements	1,674
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0
<b>Net cash flows from operating activities</b>	<b>921</b>
Investing activities	0
Financing activities	0
<b>Net (increase)/ decrease in cash and cash equivalents</b>	<b>921</b>
Cash and cash equivalents at the end of the beginning of the reporting period	0
Net Cash (Inflows)/Outflows	921
<b>Cash Balance Owed To/(From) Host Authority as at 31<sup>st</sup> March 2016</b>	<b>921</b>

No previous year figures are shown as the Shared Regulatory Service commenced on 1<sup>st</sup> May 2015.

## Statement of Accounting Policies

### 1. Accounting Policies

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2015/16 based on International Financial Reporting Standards (IFRS), the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP) and statutory guidance.

### 2. Revenue Income and Expenditure

The transactions of the Council 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 Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority 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 Authority.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 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 and Estimates and Errors

A change in 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.

### 5. 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 Authority to terminate an officer's employment before the normal retirement date or an officer's 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 Pensions 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. and 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 Authority are included in the Balance Sheet at their fair value.

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

### Service cost comprising

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or 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 as part of Non Distributed costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – 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 benefit 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.

#### Remeasurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

#### Discretionary Benefits

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

#### 6. 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.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

#### 7. Government Grants and Contributions

Government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants 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.

#### 8. Leases

The Shared Regulatory Service did not have any operating leases in 2015/16.

#### 9. 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 net expenditure.

## **10. Inventories**

The Shared Regulatory Service did not hold any inventory as at 31<sup>st</sup> March 2016.

## **11. 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 2016.

### **Contingent Liabilities**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **12. 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 14 to the Balance Sheet.

## **13. 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 Accountancy Code of Practice.

For 2015/16, the accounting policy changes that need to be reported relate to:

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2011 – 2013 Cycle
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle (see Appendix B of the ITC on the 2016/17 Code for further details – see link below at the end of these bullets)
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

Implementation of the above will not be required until 1 April 2016. The impact on the Authority's accounts is not known or reasonably estimable at this time.

### 2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

### 3. Events after the Balance Sheet Date

The unaudited statement of accounts was authorised for issue by the Head of Finance (Section 151 Officer) on 21<sup>st</sup> September 2016. Events taking place after this date are not reflected in the financial statement 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 Statements of Accounts contains estimated figures that are based on assumptions made by the Authority 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 Joint Committee's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### Debtors

As all Shared Regulatory Services's debt at 31<sup>st</sup> March 2016 is all under a year old, 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 relating 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

	<b>31<sup>st</sup> March 2016</b>
	<b>£'000</b>
<b>Salaries and Wages</b>	
Direct Employee Salaries	6,829
Agency Staff	76
Employee Redundancy	581
Employee Insurance	0
Indirect Staff Costs	13
Accumulated Absence Adjustment	98
Employee Advertising	4
<b>Sub Total</b>	<b>7,601</b>
IAS 19	310
<b>Total</b>	<b>7,911</b>

### 6. Expenditure

The following table analyses the Transport expenditure for the year.

	<b>2015/16</b>
<b>Transport</b>	<b>£'000</b>
Travel Expenses	76
Hire of Transport	48
Vehicle Costs	46
<b>Total</b>	<b>170</b>

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

	<b>2015/16</b>
<b>Supplies and Services</b>	<b>£'000</b>
Office Expenses	224
Testing Costs	96
Other	91
IT Costs	82
Disclosure and Barring	59
Advertising	43
Training	32
Subscriptions	29
Legal Fees	26
Insurance	12
Audit Fees	10
<b>Total</b>	<b>704</b>

## 7. Income

	<b>31<sup>st</sup> March 2016</b>
	<b>£'000</b>
<b>Contributions</b>	
Bridgend CBC	2,058
The City of Cardiff	5,404
Vale of Glamorgan Council	1,850
<b>Total Contributions</b>	<b>9,312</b>
Other Income	3
<b>Grant Income</b>	<b>0</b>
<b>Total</b>	<b>9,315</b>

The income contributions from authorities relates to the core services and authority specific services provided by the SRS.

## 8. 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. At 31st March 2016 the Joint Committee owes the Council £921k relating to these transactions.

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

	2015/16	
	£'000	£'000
	Expenditure	Income
Bridgend CBC	1,874	2,059
The City of Cardiff	5,260	5,405
Vale of Glamorgan Council	1,738	1,851
<b>Total</b>	<b>8,872</b>	<b>9,315</b>

During the year transactions with Related Parties arose and are shown in the following table while debtor and creditor balances at year-end are detailed in Note 11 and 12.

	2015/16	
	£'000	£'000
	Expenditure	Income
Bridgend CBC	103	2,058
The City of Cardiff	640	5,404
Vale of Glamorgan Council	3	1,850
<b>Total</b>	<b>746</b>	<b>9,312</b>

Pension contributions are made to the Cardiff and 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.

#### 9. Audit Fees

	£'000
Wales Audit Office Fees Relating to External Audit	10

#### 10. Leases

There are no long term lease agreements at the balance sheet date.

The Joint Committee holds no assets on Finance Leases.

#### 11. Debtors

	£'000
Vale of Glamorgan Council	0
Bridgend CBC	481
The City of Cardiff	1,602
Other Non Government Bodies	38
<b>Total</b>	<b>2,121</b>
Provision for Bad Debt	0
<b>Balance as at 31<sup>st</sup> March 2016</b>	<b>2,121</b>

## 12. Creditors

	£'000
Government Bodies	1
Vale of Glamorgan Council	921
Bridgend CBC	33
The City of Cardiff	246
Other Local Authorities	3
Other Non Government Bodies	65
<b>Total</b>	<b>1,269</b>
Employee Absences Accrual	99
<b>Balance as at 31<sup>st</sup> March 2016</b>	<b>1,368</b>

## 13. 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.

Reconciliation of Income and Expenditure to Total Comprehensive Income and Expenditure Statement (CIES)	2015/16
	£000
Net Expenditure in Service Analysis	(851)
Amounts in CIES not reported to management in analysis	10,108
Amounts included in the analysis not included in the CIES	0
<b>Total Comprehensive Income and Expenditure in CIES</b>	<b>9,257</b>

Reconciliation to Subjective Analysis 2015/16	Service Analysis	Amounts not reported for decision making	Amounts not included in the CIES	Total Comprehensive Income and Expenditure
	£000	£000	£000	£000
Fees, Charges & other service income	(3)	0	0	(3)
Local Authority contributions	(9,312)	0	0	(9,312)
<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 and Expenditure in CIES</b>	<b>(851)</b>	<b>10,108</b>	<b>0</b>	<b>9,257</b>

#### 14. 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	Earmarked Reserves	Total
	£'000	£'000	£'000
Balance as at 1 <sup>st</sup> May 2015	0	0	0
Increase/(Decrease)	851	0	851
<b>Balance as at 31<sup>st</sup> March 2016</b>	<b>851</b>	<b>0</b>	<b>851</b>

#### 15. Movement on Unusable Reserves

	Pension Reserve	Short Term Accumulated Absence Account	Total
	£'000	£'000	£'000
Balance as at 1 <sup>st</sup> May 2015	0	0	0
Increase/(Decrease)	(10,010)	(98)	(10,108)
<b>Balance as at 31<sup>st</sup> March 2016</b>	<b>(10,010)</b>	<b>(98)</b>	<b>(10,108)</b>

##### Pension Reserve

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

	Pensions Reserve
	£'000
Balance as at 1 <sup>st</sup> May 2015	0
Transfer of net defined benefit liability on commencement of the Joint Committee	(9,800)
Remeasurements of the net defined benefit liability/(asset)	390
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of services in the CIES	(1,820)
Employer's pension contributions and direct payments to pensioners payable in the year	1,220
<b>Balance as at 31<sup>st</sup> March 2016</b>	<b>(10,010)</b>

##### Short Term Accumulated Absences Account

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

	<b>Accumulated Absences Account</b>
	<b>£'000</b>
Balance as at 1 <sup>st</sup> May 2015	<b>0</b>
Settlement or cancellation of accrual made at the end of the preceding year	<b>0</b>
Amounts accrued to the end of the current year	<b>(98)</b>
<b>Balance as at 31<sup>st</sup> March 2016</b>	<b>(98)</b>

## 16. 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 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits to be paid for over the period covered by this disclosure are set out in the 'Local Government Pension Scheme (Transitional Provisions, 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 'LGPS Regulations 2013' and the Fund's Funding Strategy Statement. The last actuarial valuation was at 1<sup>st</sup> April 2015.

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 March 2017 are estimated to be £1.37M.

Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the fund over the next accounting period.

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

### Principal Financial Assumptions (% per annum)

	<b>31 March 2016</b>	<b>1<sup>st</sup> May 2015</b>
	<b>% per annum</b>	<b>% per annum</b>
Discount Rate	<b>3.5</b>	<b>3.5</b>
Rate of increase to Pensions in payment	<b>1.9</b>	<b>2.1</b>
Rate of increase to Deferred Pensions	<b>1.9</b>	<b>2.1</b>
Rate of Increase in Salaries	<b>2.9</b>	<b>3.1</b>

The discount rate is set with reference to corporate bond yields. If assets underperform, 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	<b>31 March 2016</b>	<b>1<sup>st</sup> May 2015</b>
<b>Males</b>		
Member aged 65 at accounting date	<b>23.8</b>	<b>23.7</b>
Member aged 45 at accounting date	<b>25.9</b>	<b>25.8</b>
<b>Females</b>		
Member aged 65 at accounting date	<b>26.8</b>	<b>26.7</b>
Member aged 45 at accounting date	<b>29.1</b>	<b>29.0</b>

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 large and largely liquid and as a consequence there will be no significant restriction on realizing 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.

	<b>Asset split at 31<sup>st</sup> March 2016</b>	<b>Asset split at 1<sup>st</sup> May 2015</b>
Equities	<b>75.1%</b>	<b>77.4%</b>
Property	<b>7.3%</b>	<b>5.9%</b>
Government Bonds	<b>8.1%</b>	<b>6.8%</b>
Corporate Bonds	<b>7.2%</b>	<b>7.9%</b>
Cash	<b>2.3%</b>	<b>1.7%</b>
Other	<b>0.0%</b>	<b>0.3%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

#### Reconciliation of Funded Status to Balance Sheet

	<b>Value at 31<sup>st</sup> March 2016</b>	<b>Value at 1<sup>st</sup> May 2015</b>
	<b>£M</b>	<b>£M</b>
Fair Value of Assets	<b>16.19</b>	<b>15.17</b>
Present Value of Funded Defined Benefit Obligation	<b>26.20</b>	<b>24.97</b>
Funded Status	<b>(10.01)</b>	<b>(9.80)</b>
Unrecognised asset	<b>0.00</b>	<b>0.00</b>
Asset/(liability) recognised on the balance sheet	<b>(10.01)</b>	<b>(9.80)</b>

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

Active Members 100%  
Deferred Pensioners 0%  
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 or Deficit on the Provision of Services and Other Comprehensive Income

	Period ending 31 March 2016
Operating Cost	£M
Current service cost	1.53
Past service cost (incl. curtailments)	0.00
Settlement cost	0.00
Financing cost	
Interest on net defined benefit liability/(asset)	0.29
<b>Pension Expense Recognised in Surplus or Deficit</b>	<b>1.82</b>
Remeasurements in other comprehensive income	
Return on plan assets (in excess of)/below that recognised in net interest	1.04
Actuarial (gains)/losses due to changes in financial assumptions	(1.43)
Actuarial (gains)/losses due to changes in demographic assumptions	0.00
Actuarial (gains)/losses due to liability experience	0.00
Total amount recognised in other comprehensive income	(0.39)
<b>Total amount recognised in comprehensive income and expenditure</b>	<b>1.43</b>

The current service cost included an allowance for the administration expenses £0.02M at 31<sup>st</sup> March 2016.

### Changes to the Present Value of the Defined Benefit Obligation during the Period

	Period ending 31 March 2016
	£M
Opening Defined Benefit Obligation	24.97
Current service cost	1.53
Interest expense on defined benefit obligation	0.80
Contributions by participants	0.36
Actuarial (gains)/losses due to changes in financial assumptions	(1.43)
Actuarial (gains)/losses due to changes in demographic assumptions	0.00
Actuarial (gains)/losses due to liability experience	0.00
Net benefits paid out	(0.03)
Past service cost including curtailments	0.00
Net increase in liabilities from disposals/acquisitions	0.00
Settlements	0.00
<b>Closing defined benefit obligation</b>	<b>26.20</b>

Changes to the Fair Value of Assets during the Accounting Period.

	Period ending 31 March 2016
	£M
Opening Fair Value of Assets	15.17
Interest Income on assets	0.51
Remeasurements gains/(losses) on assets	(1.04)
Contributions by the employer	1.22
Contributions by participants	0.36
Net benefits paid out	(0.03)
Net increase in assets from disposals/acquisitions	0.00
Settlements	0.00
Closing fair value of assets	16.19

Actual return on assets

	Period ending 31 March 2016
	£M
Interest income on assets	0.51
Remeasurement gain/(loss) on assets	(1.04)
Actual return on assets	(0.53)

Sensitivity Analysis

Discount Rate Assumption

Adjustment to discount rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£M)	25.53	26.20	26.89
% Change in present value of total obligation	-2.6%		2.6%
Projected service cost (£M)	1.55	1.60	1.65
Approximate % change in projected service cost	-3.2%		3.3%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£M)	26.51	26.20	25.89
% Change in present value of total obligation	1.2%		-1.2%
Projected service cost (£M)	1.60	1.60	1.60
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase to pensions in payment and deferred pensions assumption and rate of revaluation of pensions account assumptions

Adjustment to pension increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£M)	26.57	26.20	25.84
% Change in present value of total obligation	1.4%		-1.4%
Projected service cost (£M)	1.65	1.60	1.55
Approximate % change in projected service cost	3.3%		-3.2%

Post retirement mortality assumption \*

Adjustment to mortality age rating assumption	-1 year	Base figure	+1 year
Present value of total obligation (£M)	26.87	26.20	25.53
% Change in present value of total obligation	2.5%		-2.6%
Projected service cost (£M)	1.65	1.60	1.55
Approximate % change in projected service cost	3.2%		-3.2%

\*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.

## 17. Employees Emoluments

Officers remunerated in excess of £60,000

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

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

The remuneration bands include expenses chargeable to United Kingdom income tax.

### 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 tables below.

Exit Package cost band (including special payments)	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£			
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>

### 18. Interest

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

	2015/16	
	£	%
Interest on SRC Account Balance	-281.57	0.34

# VALE OF GLAMORGAN COUNCIL JOINT SHARED REGULATORY SERVICE ANNUAL GOVERNANCE STATEMENT 2015-16

## 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;
- Empty Homes (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 1<sup>st</sup> May 2015 to 31<sup>st</sup> March 2016.

## **3. The Governance Framework**

- 3.1 The CIPFA / Solace governance framework set out six fundamental principles of corporate governance:-
- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles.
  - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
  - Developing the capacity and capability of members and officers to be effective.
  - Engaging with local people and other stakeholders to ensure robust public 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> May 2015 to 31<sup>st</sup> March 2016 are deemed to be satisfactory. The Governance Statement does not document policies, procedures and working practices under each of the six 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 ninety-seven page 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.

### **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 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)
- Vice Chair: Assistant Director City Operations (CCC)
- Head of Regulation Partnership and Transformation (BCBC)
- Head of Regulatory Services (VoGC)

### **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 2016-17 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 210 employees in total and is currently accessed and delivered through five points across the Bridgend, Cardiff and Vale boundaries. There is still some work to be done particularly in relation to alignment of employment Terms and Conditions, accommodation, agile working and ICT.

### **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 2015/16 the Joint Committee received regular reports as set out in their "Dates and Deadlines" timetable which shows the meetings scheduled for a 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

During 2015/16, Internal Audit undertook a review of the Shared Regulatory Services governance framework. The objective of the audit was to ensure that there are sound governance arrangements in place for the newly formed Shared Regulatory Service. Based on an assessment of the strengths and weaknesses of the areas examined, it was concluded that the effectiveness of the internal control environment relating to the overall governance arrangements were considered to sound with substantial assurance being provided.

3.12 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 2016/17 and 2017/18 Audit Plans.

3.13 The 2015/16 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.

3.14 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.

3.15 There is a detailed Business Plan in place for the first year of the service and this was attached at Schedule 9 of the Joint Working Agreement.

3.16 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.

3.17 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 2015-16, which will be presented to the Joint Committee on 28<sup>th</sup> June 2016.

#### 4. Significant Governance Issues

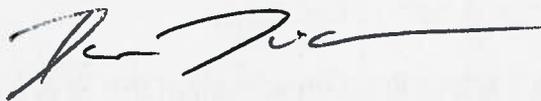
4.1 **Definition of Governance:** A series of policies, roles, responsibilities and processes that set the way an organisation is directed, administrated and controlled.

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 2015/16.

#### 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:  28/6/2016

**Councillor Daniel De'Ath - Chair of the Shared Regulatory Services**

Signed:  28.6.16

**Cary Lord – Section 151 Officer**

Signed:  28/6/16

**Miles Punter – Chair of the Shared Regulatory Services Management Board.**

Signed:

*D. Holland*

28<sup>th</sup> Jan 2016

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