

Shared
Regulatory
Services

Gwasanaethau
Rheoliadol
a Rennir

Shared Regulatory Service Joint Committee

Statement of Accounts 2017/18 Year Ended 31st March 2018

Contents Page

Narrative Report.....	1
Introduction to the Financial Statements	7
Statement of Responsibilities for the Statement of Accounts for the Shared Regulatory Service.....	9
Auditor General for Wales' report to the Members of the Shared Regulatory Services	11
Shared Regulatory Service Expenditure and Funding Analysis 2016/17	14
Shared Regulatory Service Expenditure and Funding Analysis 2017/18	15
SRS Movement in Reserves Statement 2016/17 and 2017/18.....	16
SRS Comprehensive Income and Expenditure Statement 2017/18.....	17
SRS Balance Sheet as at 31 st March 2018	18
SRS Cash Flow Statement 2017/18.....	19
Statement of Accounting Policies	20
Notes to the Financial Statements.....	27
Glossary.....	47
Annual Governance Statement 2017/18	52

Shared Regulatory Service Joint Committee

Statement of Accounts 2017/18 Year Ended 31st March 2018

Narrative Report

Introduction

This document presents the Statement of Accounts for the Shared Regulatory Service in respect of financial year 2017/18, and are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The Shared Regulatory Service (SRS) has completed its second full year of operation, which is the final year of the initial 3 year business plan. It was created on 1st 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 1st May 2015. The staff restructuring exercise has been successfully completed, and the agreed new Operating Model has been in operation since 1st December 2015. Business processes have now been harmonised, which supports the service's ability to work in an agile manner.

The narrative report provides insight into the funding and expenditure appertaining to the SRS in the year, the key financial issues and pressures and a look to future years.

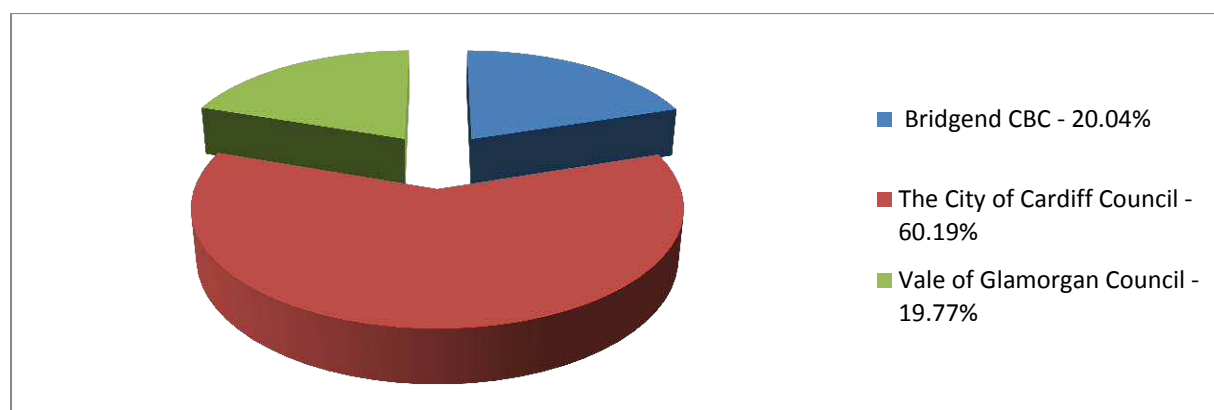
Information contained within these accounts provides the user with clarity on the nature of transactions in respect of the financial year ended 31st March 2018, and its financial composition as at that date.

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

The following table graphically represents the 2017/18 total budgeted contribution made to the SRS by the partner Authorities, to include both Core and Authority Specific Services.

Split of Core and Authority Specific Partner Funding in 2017/18



Summary of Financial Performance

The financial position of the SRS is regularly reported to the SRS Board and Joint 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 2017/18 gross expenditure budgets are shown on the following table.

Authority	Participant Apportionment %	Core Services Budget 2017/18 £'000	Authority Specific Budget 2017/18 £'000	Budgeted Expenditure 2017/18 £'000
Bridgend	22.46%	1,404	365	1,769
Cardiff	57.34%	3,585	1,730	5,315
Vale of Glamorgan	20.20%	1,263	483	1,746
Total	100.00%	6,252	2,578	8,830

The table below illustrates the budgeted expenditure against the actual expenditure incurred for the period 1st April 2017 to 31st March 2018.

Category	Budgeted Expenditure £'000	Actual Expenditure £'000	Variance £'000
Core Services	6,252	5,826	426
Authority Specific	2,578	2,658	(80)
Total	8,830	8,484	346

2016/17 was the final year of the Implementation Budget. However, due to circumstances beyond the control of the service, two items remain outstanding at the end of 2017/18 in relation to the £102k transferred to the Usable Reserves in 2016/17. These items are in respect of the anticipated actuarial cost of setting up the SRS as a separate employer within Cardiff and Vale Pension Fund, plus the outstanding partially completed IT consultancy work. The costs of which are reflected in the £56k retained within the Usable Reserves, the expenditure will be incurred in 2018/19.

The main components relating to the Core underspend are due to two secondments out of the service which have not been backfilled, plus two posts that have remained vacant throughout the period. There have been issues associated with attracting suitably qualified staff to the Food teams which is due to a national shortage of qualified officers. There have been difficulties surrounding back filling maternity cover, where the SRS proportion of maternity leave taken equates to 11% of the total maternities taken in the year at the Vale. There was a small overspend on Transport which was due to the acquisition of two new vehicles to be used within Core. These were a number of underspends across the headings within Supplies and Services.

The favourable position was then compounded by unbudgeted income relating to the Service becoming the direct recipient of the Illegal Money Lending Grant during the year. Recharge income is included relating to the costs of secondments and two special projects in respect of preparing the implementation of Public Space Protection Orders for two of the partners. Income also includes unbudgeted Food Standards Agency Grants, income from both Fees and Charges and Primary Authority works where bespoke guidance has been provided to businesses.

The overspend within Authority Specific Services predominantly relates to Cardiff Council Licensing where staffing, taxi plates, plus Disclosure and Barring Service costs have exceeded the budget. However, this position can be offset by income received directly by the Authority and emulates the performance achieved in previous years.

Impact of the Current Economic Climate

UK economic growth slowed in 2017 as inflation rose sharply. There is a drag on business investment from on-going economic and political uncertainty relating to the outcome of Brexit negotiations. This may affect the pace of the SRS moving towards a more commercial position in the immediate future.

Usable Reserves

As at the 31st March 2018, the SRS held Usable Reserves of £740k. As authorised by the September 2017 Committee, the £173k 2016/17 underspend was returned to the partner

Shared Regulatory Service Joint Committee

Authorities. Movements on the reserves are detailed within the Movement in 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 2018 Joint Committee for approval.

Capital Expenditure

In 2017/18, the SRS incurred £23k of capital expenditure which was 100% funded by a contribution from the revenue account. This relates entirely to vehicle replacements funded from within Core.

Annual Report

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

Shared Regulatory Services Annual Report reported to Committee 19th June 2018.

Pension Assets and Liabilities

The value of the pension liability in 2017/18 is £10.990m. 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.

Non-Financial Performance

Improving Health and Wellbeing is a key priority for the SRS. This includes work undertaken to ensure that food is safe, that infectious disease, noise and air emissions are controlled, that risks in the workplace are managed properly which allows people to live in healthy environments. Add to this our activities to ensure the quality of private rented property, the promotion of a safe trading environment and our regulation of licensed premises to ensure they operate responsibly and it is evident in the work undertaken by the SRS which it is hugely important to the health and wellbeing of the region.

Through new ways of working, the food team has achieved an increase in the inspections and a closing the “gap” of unrated food premises. The food service has also received some striking media coverage in relation to prosecutions for breaches of food law receiving noteworthy press attention, plus media articles on the exposure of unprincipled trading practices within this sector, and has undertaken significant innovative work in respect of food allergens.

Zero powered contact lenses (sometimes referred to as cosmetic lenses) are required by the Opticians Act to be sold under the supervision of a registered optometrist, registered dispensing optician or registered medical practitioner. In 2016, the SRS issued two simple cautions to retailers in Cardiff who had sold this type of lens to consumers of which one had

resulted in a serious eye problem. In 2017/18, 22 premises were inspected and advice in collaboration with the General Optical Council was issued. As a consequence, three warning notices have been issued by the service.

Safety in cellars has been chosen as a national health and safety priority following a number of fatalities and serious injury to both employees and members of the public in recent years. All 71 businesses inspected were found to be non-compliant. Commitment has now been made to include "Safety in Cellars" in the work plan of all local authorities in Wales for 2018/19.

The service delivered a number of road shows across the region, where by far the most common issue raised was nuisance telephone calls. Residents were made aware of the Telephone Preference Service; with a number of BT customers given assistance in using the BT call protect service. In the most extreme cases, the SRS has provided call blockers to the most vulnerable residents to afford them better protection.

Rogue traders continue to prey upon vulnerable people in the region, with a number of successful prosecutions being undertaken. In certain cases these have resulted in prison sentences being given.

The Licensing Teams in conjunction with Children's Services, South Wales Police, Families First and Welsh Government produced literature and training events aimed at Hackney Carriage /Private Hire Drivers to inform them about child exploitation and what they can do to help keep children safe.

The annual Local Air Quality Management Progress Reports for the partner Authorities were reported through the respective pathways in Council and submitted to Welsh Government. Additionally, the requirement to consult local communities on air quality matters placed upon the three Councils by new Welsh Government guidance, places additional demands on the service and meeting those demands will be considered as part of the budget reduction process for 2019/20.

The service has been involved in a number of investigations locally into illegal dog breeding. The SRS successfully prosecuted one breeder who made around £50k from selling fully vaccinated sought after breeds. The offender was sentenced to 30 weeks imprisonment on each of the 5 offences to run concurrently, which was suspended for 2 years. The offender must also carry out 200 hours of unpaid work and will be subject to a 4 month curfew.

The work of the SRS has a significant, but often unseen impact upon the local economy. The provision of timely advice and guidance on regulation can benefit the economic viability of businesses resulting in improved business practices; our growing role in the field of Primary Authority is testament to this assertion.

Whilst we continue to engage with landlords and agents to improve conditions in the private sector we also will not hesitate to use our enforcement powers where requested. This year saw an unprecedented number of improvement notices (700) and prohibition notices (95) served across the region in an attempt to improve standards in the private rented sector particularly those landlords who are more reluctant to engage with Authorities.

Our role as regulator also extends to information and education to support customers to enable them to become better informed and confident of their legal rights and supplier responsibility. In an age where people can purchase goods and services without leaving home, the importance of the principle of “caveat emptor” has never been more relevant.

In June 2017, the SRS was involved in regulating the largest ever event to be held in Cardiff, the UEFA Champions League final. The four days of activity saw officers ensure that brands were not being counterfeited, premises selling alcohol were doing so within their license conditions and any ambush marketing was removed.

During all the major events in the City, the SRS has operated an intensive campaign to ensure taxi drivers operate fairly and honestly. SRS officers have reported a small minority of incidents asserting inappropriate behaviour by drivers resulting in over 100 drivers appearing before the three Committees and over 20 drivers have been charged with “flimping” (accepting fares when not authorised to do so).

The Bridgend Employers Engagement Project (BEEP) was a partnership intervention led by the SRS, facilitated by the Health and Safety Executive and Public Health Wales and supported by experts from local businesses and organisations. Business from the 24 industrial estates operating within the Bridgend CBC area were selected as this trade sector is known to have higher than average accident and ill-health rates. Feedback from participants indicated that 100% of businesses reported learning something with 91% reported that they would make changes to their workplace because of attending the Forum.

Officers from the SRS have been working closely with the Assay Office to conduct joint inspections of locally based jewellery outlets, including those selling on line as well as those on the high street. Officers visited jewellers inspecting hundreds of items for compliance with the Hallmarking Act 1973. Overall, the results were pleasing. Problems were only found in 3 outlets, less than 7% of items examined were non-compliant. However, a small quantity of jewellery while properly hallmarked was found to be in breach of a number of registered trademarks. The value of these items is in the region of £25k. In May 2018, the SRS was advised it had received a highly commended award from the Hallmarking Council for the enforcement initiative.

Looking Forward

Maximising the use of resources was the original catalyst for creating the SRS, and in 2018/19 the work in this area will continue. We are generating income, where possible, to underpin service delivery; activities like marketing our metrology laboratory, offering paid for advice services, building Primary Authority partnerships and extending our training provision to business are examples of our move to a more “commercial” nature. Above all, we recognise that crucial to the success of the SRS are the people who work within the service. We will ensure that our officers are effective in their roles by investing in learning and development opportunities, by engaging them fully in the development of the service, and by fostering an environment where people are encouraged to think, lead and innovate.

Over the last three years, the SRS has consolidated service delivery in accord with the agreed standards; the requisite financial savings from the original three year business plan have been fully delivered.

In the next three years, the service's principal challenge is to continue to deliver high quality services and to help our partners manage their respective financial pressures. The Key Milestones for 2018/19 include a review of the organisational SRS structure to meet the budget savings set out for 2019/20 and 2020/21, and to implement the financial savings agreed for the period 2018/19 to 2020/21.

As with any law enforcement agency, new legislation and new policy developments continue to place greater responsibilities upon the service; and with those responsibilities come greater expectations. This will include the likely consequences arising from the Grenfell disaster, changes to the Public Health regime, the increased exploitation of vulnerable people, the challenges of improving air quality, the increase in the number of major commercial events which cannot be underestimated. The need to have a competent core of officers ready to meet this challenge at a time of reducing budgets cannot be understated. Delivering more with less means that the SRS must undertake a degree of future proofing to meet the partner Council's statutory responsibilities. Anything less represents a real risk for the health and safety and wellbeing of those living, working and visiting the region.

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 (Section 151 Officer) for the preparation of the Statement of Accounts. The Statement has to be signed and dated by the presiding member at the Joint Committee 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 'Usable 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 reserves 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:

Date: 18th September 2018

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 preparation of the Statement of Accounts. In accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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 local authority 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 31st March 2018, and its income and expenditure for the period then ended.

Signature: Carys Lord

Date: 10th September 2018

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

The independent auditor's report of the Auditor General for Wales to the Members of the Shared Regulatory Services Joint Committee

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Shared Regulatory Services Joint Committee for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Shared Regulatory Services Joint Committee's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

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 2017/18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Shared Regulatory Services Joint Committee as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Joint Committee in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Joint Committee's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements 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.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the Joint Committee and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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 financial 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.

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.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Joint Committee's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett

For and on behalf of the Auditor General for Wales

28 September 2018

24 Cathedral Road

Cardiff

CF11 9LJ

Shared Regulatory Service Expenditure and Funding Analysis 2016/17

The objective of the Expenditure and Funding Analysis is to demonstrate to the Partners how funding available to the SRS in the year has been used in providing services in comparison with those resources consumed or earned by the service in accordance with generally accepted accounting practices.

Expenditure and Funding Analysis 2016/17	Net Expenditure Chargeable to General Fund Balances	Adjustments	Comprehensive Income and Expenditure
	£'000	£'000	£'000
Staff Costs	6,699		6,699
IAS 19 Adjustment	90		90
Premises	30		30
Transport	156		156
Supplies & Services	980		980
Third Party Payments	22		22
Central Department and Managerial Support	1,411	132	1,543
Capital Expenditure (from) Revenue Account	215	(215)	0
Amortisation	0	18	18
Depreciation	0	3	3
Contributions from Local Authorities	(9,124)		(9,124)
Grant Income	(84)		(84)
Fees and Charges	(74)		(74)
Net Cost of Services	321	(62)	259
Other Income and Expenditure from the Funding Analysis	0	331	331
(Surplus) or Deficit	321	269	590
Opening General Fund Balance at 31 March 2016	(851)		
Less Deficit on General Fund Balance in Year	321		
Closing General Fund Balance at 31 March 2017	(530)		

Shared Regulatory Service Expenditure and Funding Analysis 2017/18

Expenditure and Funding Analysis 2017/18	Net Expenditure Chargeable to General Fund Balances	Adjustments	Comprehensive Income and Expenditure
	£'000		£'000
Staff Costs	6,998		6,998
IAS 19 Adjustment	420		420
Premises	50		50
Transport	176		176
Supplies & Services	627		627
Third Party Payments	28		28
Central Department and Managerial Support	796	515	1,311
Capital Expenditure (from) Revenue Account	23	(23)	0
Amortisation	23		23
Depreciation	22		22
Contributions from Local Authorities	(8,588)		(8,588)
Grant Income	(658)		(658)
Fees and Charges	(127)		(127)
Net Cost of Services	(210)	492	282
Other Income and Expenditure from the Funding Analysis	0	270	270
(Surplus) or Deficit	(210)	762	552
Opening General Fund Balance at 31 March 2017	(530)		
Less Surplus on General Fund Balance in Year	(210)		
Closing General Fund Balance at 31 March 2018	(740)		

SRS Movement in Reserves Statement 2016/17 and 2017/18

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

Movement in Reserves Statement	Notes	Shared Regulatory Service					
		Usable Reserves £'000	Accumulated Absence Account £'000	Pensions Reserve £'000	Capital Adjustment Account £'000	Total Unusable Reserves £'000	Total Reserves £'000
Shared Regulatory Service							
Balance at 31 March 2016 Carried Forward		(851)	98	10,010	0	10,108	9,257
Movement in Reserves during 2016/17							
Total Comprehensive Income & Expenditure		590	0	730	0	730	1,320
Adjustments between Accounting Basis & Funding Basis		(269)	43	420	(194)	269	0
Increase / Decrease in Year		321	43	1,150	(194)	999	1,320
Balance as at 31st March 2017 Carried Forward		(530)	141	11,160	(194)	11,107	10,577
Movement in Reserves during 2017/2018							
Total Comprehensive Income & Expenditure		552	0	(860)	0	(860)	(308)
Adjustments between Accounting Basis & Funding Basis		(762)	50	690	22	762	0
Increase / Decrease in Year	25,26	(210)	50	(170)	22	(98)	(308)
Balance as at 31st March 2018 Carried Forward		(740)	191	10,990	(172)	11,009	10,269

SRS Comprehensive Income and Expenditure Statement 2017/18

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Period Ended 31st March		Notes	Period Ended 31st March
2017			2018
£000's			£000's
6,699	Staff Costs	6	6,998
90	IAS 19 Adjustment	6	420
30	Premises	7	50
156	Transport	8	176
980	Supplies & Services	9	627
22	Third Party Payments	10	28
1,543	Central Department and Managerial Support	11	1,311
18	Amortisation	15	23
3	Depreciation	16	22
9,541	Operating Expenditure		9,655
(9,124)	Contributions from Local Authorities	12	(8,588)
(84)	Grant Income	12	(658)
(74)	Fees and Charges	12	(127)
(9,282)	Operating Income		(9,373)
259	Net Cost of Services		282
	<u>Interest & Investment Income and Expenditure</u>		
1	Interest Payable		0
330	Pensions Interest Payable		270
331	Financing & Investment Income & Expenditure		270
590	(Surplus) / Deficit on Provision of Services		552
	<u>Other Comprehensive Income & Expenditure</u>		
730	Re-measurement of Pension Liability		(860)
730	Other Comprehensive Income & Expenditure		(860)
1,320	Total Comprehensive Income & Expenditure		(308)

SRS Balance Sheet as at 31st March 2018

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (Assets less Liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories: Usable and Unusable Reserves.

31st March 2017 £'000	Balance Sheet as at 31st March 2018 Shared Regulatory Service	Notes	31st March 2018 £'000
	Long Term Assets		
95	Property, Plant and Equipment	15	96
99	Intangible Assets	16	76
17	Long Term Debtors		0
211	Total Long Term Assets		172
329	Short Term Debtors		286
456	Short Term Debtors Cash Owing from Host Authority		849
785	Current Assets	20	1,135
(272)	Short Term Creditors		(173)
(141)	Short Term Creditors - Accumulated Absence Provision		(191)
(413)	Current Liabilities	21	(364)
(11,160)	Pensions Liability		(10,990)
0	Other Long Term Liabilities		(222)
(11,160)	Long Term Liabilities		(11,212)
(10,577)	Net Assets		(10,269)
(530)	Usable Reserves	25	(740)
141	Accumulated Absences	26	191
(194)	Capital Adjustment Account	26	(172)
11,160	Pensions Reserve	26	10,990
11,107	Unusable Reserves		11,009
10,577	Total Reserves		10,269

SRS Cash Flow Statement 2017/18

The Cash Flow Statement shows the change in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows into operating and investing and financing activities. Further information is included on page 36 of this report.

31st March 2017 £'000		Notes	31st March 2018 £'000
(590)	Net Surplus/(Deficit) on the provision of service	24	(552)
2,182	Adjust net surplus or deficit on the provision of services for non-cash movements	22	967
0	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		0
1,592	Net Cash-flows from operating activities		415
(215)	Investing activities	23	(23)
0	Financing activities		0
1,377	Net (increase)/decrease in cash and cash Equivalents		392
(921)	Cash and cash equivalents at the beginning of the reporting period		457
456	Cash owed To/(From) Host Authority as at 31st March		849

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 (Amended), which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and the Service Reporting Code of Practice for Local Authorities 2017/18 (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 31st March each year. Payments in respect of a full 12 months are included; and
- (b) The amount included in the accounts for the Budgeted Contributions are on the basis of cash received.

The difference between the amounts charged annually to the Revenue Accounts in respect of items (a) and (b) and the amounts that would be charged if they were accrued to the 31st 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 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 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 actuarial valuation carried out at 31st March 2016 excludes staff working for the Shared Regulatory Service.

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, 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. 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.

Assets are maintained in the Balance Sheet at fair value.

10. Leases

The Shared Regulatory Service does not have any operating or finance leases in 2017/18.

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 31st March 2018.

13. Property, Plant and Equipment

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 an amount (provision) for specific future liabilities or losses that are likely or certain to occur, but the amounts or dates of which cannot yet be determined accurately. The Shared Regulatory Service did not hold any provisions as at 31st March 2018.

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.

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.

15. Specific Reserves

These reserves represent sums of money that are voluntarily set aside for specific purposes.

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

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The main new or amended standards within the 2018/19 Code are IFRS 9 and IFRS 15 but they are not expected to have a material impact on the information provided in the 2017/18 and 2018/19 financial statements and transitional reporting arrangements mean that the restatement of the 2017/18 accounts will not be required.

- IFRS 9 Financial Instruments – IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets and a forward looking ‘expected loss’ model for impairment rather than the ‘incurred loss’ model under IAS 39.
- IFRS 15 Revenue from Contracts with Customers – IFRS 15 establishes a new comprehensive framework for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition, but as the Council has relatively predictable income streams the impact will be minimal.

2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the SRS would have made 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 unaudited Statement of Accounts were authorised for issue by the Head of Finance (Section 151 Officer) on the 10th September 2018. 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. Prior Period Adjustments

There are no prior period adjustments

5. 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 31st March 2018 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Property Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Useful lives will impact on depreciation calculations. For assets such as Vehicles and Equipment (5 years) standard asset lives are used unless evidence is available to the contrary.

Debtors

There is a small debt of £40 relating to 2015/16, which is currently being recovered. The remaining Shared Regulatory Service's debt at 31st March 2018 is less than a year old, therefore, no provision has been made in the accounts for doubtful debts as it considered that all debt is considered to be recoverable.

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.

Net Change for Pension Adjustments

This change relates to the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income which means

- The replacement of the employer pension contributions with current service costs and past service costs.
- The net interest on the defined benefit liability is charged to the other Income and Expenditure line.

6. Officers Emoluments

The following table analysis the expenditure in respect of officer's emoluments.

31st March 2017 £000's		31st March 2018 £000's
6,482	Direct Employee Salaries	6,871
98	Agency	37
20	Employee Redundancy	3
46	New Pension Fund	0
8	Indirect Staff Costs	33
37	Accumulated Absence Adjustment	50
8	Employee Advertising	4
6,699	Sub Total	6,998
90	IAS 19	420
6,789		7,418

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 20th December 2016. Provision was made within the 2016/17 accounts with the funds carried forward to meet the cost. It is anticipated that the fund will be operational for 2019/20.

In 2017/18 the management and administration costs were captured within the Central Department Support element of the Comprehensive Income and Expenditure Statement. This is consistent with treatment administered in previous years in respect of the management and administration costs.

7. Premises Costs

The following table analysis the Premises expenditure.

31st March 2017 £000's	Premises Costs	31st March 2018 £000's
13	Rents	49
13	Repairs and Maintenance	1
3	Electrical	0
1	Premises Running Costs	0
30		50

The rental costs in 2017/18 have increased by £40k which is the amount of rental costs that were previously funded by the Illegal Money Lending Unit (IMLU) grant retained by Cardiff Council. As the full IMLU grant has now been transferred to the SRS, the associated expenditure has with effect from 2017/18 been captured within the SRS accounts.

8. Transport

The following table analyses the Transport expenditure for the year.

31st March 2017 £000's	Transport	31st March 2018 £000's
48	Vehicle Costs	87
51	Travel Expenses	52
57	Hire of Transport	37
156		176

9. Supplies & Services

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

31st March 2017 £000's	Supplies & Services	31st March 2018 £000's
213	Office Expenses	189
49	Equipment Purchases	65
95	Analysis Fees	58
61	IT Costs	52
56	Training	35
26	Taxi Plates	33
83	Consultants Fees	29
73	Disclosure & Barring	29
23	Advertising	27
9	Legal Fees	26
68	Delivery of Services	21
21	Hospitality/Conference	14
7	Subscriptions	11
12	Audit	12
18	Vets Fees	8
12	Funeral Costs	7
0	Expert Fees	6
113	Horse Costs	4
41	Insurance	1
980		627

10. Third Party Costs

The following table analyses the Third Party expenditure for the year.

31st March 2017 £000's	Third Party Payments	31st March 2018 £000's
22	Kennelling Costs	17
0	Creation of SRS Hub	11
22		17

11. Central Department and Managerial Support

The following table analyses the Central Departmental and Managerial Support expenditure for the year.

31st March 2017 £'000	Central Department Support	31st March 2018 £'000
1,383	SRS Management & Central Administration	721
28	Central Transport Recharge	30
0	Apprenticeship Levy	28
0	Central IT Recharge	14
0	Central Translation Recharge	3
1,411	Sub - Total	796
132	Statutory Accounting Adjustments	515
1,543		1,311

12. Income

The following table analyses the income generated in the year.

31st March 2017 £'000		31st March 2018 £'000
1,824	Bridgend CBC	1,769
5,426	Cardiff Council	5,039
1,874	Vale of Glamorgan	1,780
9,124		8,588
84	Grants	658
74	Fees & Charges	127
9,282		9,373

The income contributions from Authorities relates to Core and Authority Specific services provided by the SRS, plus the recovery of costs resulting from the secondment to City Deal, and to the undertaking of specific projects requested.

The significant increase in grant income in the year is due to the Illegal Money Lending Grant of £624k being paid directly to the Vale of Glamorgan. Previously, it had been paid to Cardiff Council, and had partially formed part of the budgeted contribution due from the Authority. Food Standards Agency grants of £34k were also received in year.

Fees and Charges income includes £83k which are now being carried on the Balance Sheet as Usable Reserves. These funds were received in relation to the Proceeds of Crime Act. There are £23k of general fees and charges relating to chargeable works. Primary Authority works have generated £14k income through issuing tailored advice to businesses. The part year secondment to Welsh Government to assist in the Special Procedures project has recovered £7k of income.

13. Notes to the Expenditure and Funding Analysis

Notes to the Expenditure and Funding Analysis 2016/17				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £'000	Net Change for Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Staff Costs	0	0	0	0
IAS 19 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
Net Cost of Services	(194)	89	43	(62)
Other Income and Expenditure from the Funding Analysis	0	331	0	331
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	(194)	420	43	269

Notes to the Expenditure and Funding Analysis 2017/18				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £'000	Net Change for Pensions Adjustments £,000	Other Differences £'000	Total Adjustments £'000
Staff Costs	0	0	0	0
IAS 19 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	45	420	50	515
Capital Charges	(23)	0	0	(23)
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
Net Cost of Services	22	420	50	492
Other Income and Expenditure from the Funding Analysis	0	270	0	270
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	22	690	50	762

14. Adjustments Between Accounting Basis and Funding Basis Analysis

Adjustments Between Accounting Basis and Funding Basis Under Regulations 2016/17					
	Usable Reserves £'000	Accumulated Absence Account £'000	Pensions Reserve £'000	Capital Adjustment Account £'000	Total Unusable Reserves £'000
Shared Regulatory Service					
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
	(269)	43	420	(194)	269

Adjustments Between Accounting Basis and Funding Basis Under Regulations 2017/18					
Shared Regulatory Service	Usable Reserves £'000	Accumulated Absence Account £'000	Pensions Reserve £'000	Capital Adjustment Account £'000	Unusable Reserves £'000
Holiday Pay	(50)	50	0	0	50
Reversal of Items Relating to retirement benefits debited or credited to the CIES	970	0	(970)	0	(970)
Employers pension contributions and direct payments to pensions payable in year	(1,660)	0	1,660	0	1,660
Capital Expenditure financed from Revenue Balances	23	0	0	(23)	(23)
Charges for Depreciation/Impairment of Non-Current Assets	(45)	0	0	45	45
	(762)	50	690	22	762

15. Property, Plant & Equipment

Movement on Balance in 2017/18	Vehicles £'000	Equipment £'000	Total £'000
Cost or Valuation as at 1 April 2017	36	62	98
Additions	23	0	23
Cost or Valuation as at 31 March 2018	59	62	121
Accumulated depreciation and impairment as at 1 April 2017	0	(3)	(3)
Depreciation charge	(9)	(13)	(22)
Accumulated Depreciation and Impairment as at 31 March 2018	(9)	(16)	(25)

Net Book Value 2017/18	Vehicles £'000	Equipment £'000	Total £'000
At 31 March 2017	36	59	95
At 31 March 2018	50	46	96

16. 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 £23k was charged to revenue in 2017/18. The movement on Intangible Asset balances during the year are as follows;

	Purchased Assets	Purchased Assets
	2016/17	2017/18
	£'000	£'000
Balance at start of year		
Gross carrying amounts	0	117
Accumulated Amortisation	0	(18)
Net carrying amount at start of year	0	99
Additions		
Purchases	117	0
Amortisation	(18)	(23)
Other Disposals	0	0
Amortisation written off on disposal	0	0
Net carrying amount at end of year	99	76
Comprising		
Gross carrying amounts	117	117
Accumulated Amortisation	(18)	(41)
Net carrying amount at end of year	99	76

17. 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 31st March 2018, the Joint Committee is owed £848k from the Council relating to these transactions.

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

2016/17			2017/18	
Expenditure	Income		Expenditure	Income
£'000	£'000		£'000	£'000
1,890	1,860	Bridgend CBC	1,916	1,802
5,784	5,516	The City of Cardiff Council	5,772	5,760
1,867	1,906	Vale of Glamorgan	1,967	1,811
9,541	9,282	Total	9,655	9,373

Shared Regulatory Service Joint Committee

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 20 and 21.

2016/17			2017/18	
Expenditure £'000	Income £'000		Expenditure £'000	Income £'000
61	1,824	Bridgend CBC	32	1,769
318	5,426	The City of Cardiff Council	228	5,039
17	1,874	Vale of Glamorgan Council	56	1,780
396	9,124	Total	316	8,588

Welsh Government effect influence on the SRS via legislation and grant funding. As at 31st March 2018 there are no sums in respect of grants 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.

18. Audit Fees

2016/17 £'000		2017/18 £'000
12	Wales Audit Office Fees Relating to External Audit	12
12	Total	12

19. Leases

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

20. Debtors

2016/17 £'000		2017/18 £'000
0	Government Bodies	29
291	Local Authorities	14
456	Vale of Glamorgan Council (Host Authority)	848
38	Other Entities and Individuals (including trade debtors)	244
785	Total	1,135
0	Provision for Bad Debt	0
785	Balance as at 31st March	1,135

21. Creditors

2016/17 £'000		2017/18 £'000
0	Government Bodies	0
0	Vale of Glamorgan (Host Authority)	0
198	Other Local Authorities	95
74	Other Entities and Individuals (including trade creditors)	78
272	Total	173
141	Employee Absences Accrual	191
413	Balance as at 31st March	364

22. Cash Flow Statement - Operating Activities

2016/17 £'000		2017/18 £'000
3	Depreciation	22
18	Amortisation	23
(34)	Increase/ (Decrease) in Creditors	175
1,775	(Increase)/Decrease in Debtors	56
420	Movement on Pension Liability	691
2,182	Adjustments to net surplus or deficit on the provision of services for non-cash movements.	967

23. Cash Flow Statement – Investing Activities

2016/17 £'000		2017/18 £'000
(215)	Purchase of property, plant and equipment, investment property and intangible assets	(23)
0	Other receipts from investing activities	0
(215)	Net Cash Flows from Investing Activities	(23)

24. Expenditure and Funding Analysis by Nature

2016/17 £'000		2017/18 £'000
6,789	Employee Expenses	7,418
2,731	Other Service Expenses	2,192
21	Depreciation, Amortisation and Impairment	45
331	Interest on net defined benefit liability/ (asset)	270
9,872	Total Expenditure	9,925
(9,282)	Fees Charges & Other Service Income	(9,373)
(9,282)	Total Income	(9,373)
590	(Surplus)/ Deficit on the Provision of Services	552

25. 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 £'000	Earmarked Reserves £'000	Total Usable Reserves £'000
Balance as at 1st April 2017	428	102	530
2016/17 Underspend Returned to Partners	(173)	0	(173)
2017/18 Provisional Underspend	346	0	346
Funds Received under Proceeds of Crime Act	83	0	83
Movement on 2016/17 Implementation Reserve	0	(46)	(46)
Balance as at 31st March 2018	684	56	740

26. Movement on Unusable Reserves

	Pension Reserves £'000	Accumulated Absences £'000	Capital Adjustment £'000	Total Unusable Reserves £'000
Balance as at 1st April 2017	(11,160)	(141)	194	(11,107)
Increase/(Decrease)	170	(50)	(22)	98
Balance as at 31st March 2017	(10,990)	(191)	172	(11,009)

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.

2016/17 £'000	Pensions Reserve	2017/18 £'000
(10,010)	Balance as at the 1st April	(11,160)
(730)	Re-measurements of net defined liability/(asset)	860
	Reversal of items relating to retirement benefits debited of credited	
860	To the Surplus or Deficit on the Provision of Services in the CIES	970
(1,280)	Employers pension contribution and direct payments to pensioners payable in the year	(1,660)
(11,160)	Balance as at the 31st March	(10,990)

The presentation of figures have been amended in the disclosure note to show a greater level of transparency and consistency.

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.

2016/17 £'000	Accumulated Absences Account	2017/18 £'000
(98)	Balance as at 1st April	(141)
(141)	Amounts accrued at the end of the current year	(191)
98	Amounts by which officer remuneration charges to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with the statutory requirements.	141
(141)	Balance as at 31st March	(191)

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.

2016/17 £'000	Capital Adjustment Account	2017/18 £'000
0	Balance as at 1st April	194
(3)	Charges for depreciation of non-current assets	(22)
(18)	Amortisation of intangible assets	(23)
215	Capital Expenditure charged against the Joint Committee Balance	23
194	Balance as at 31st March	172

27. 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 31st March 2014 linked to the final salary. Benefits earned after 31st 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 31st 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 31st March 2019 are estimated to be £1.28M.

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:

	31st March 2017 % per annum	31st March 2018 % per annum
Discount Rate	2.50%	2.60%
Rate of Increase to Pensions in Payment	2.00%	2.00%
Rate of Increase to Deferred Pensions	2.00%	2.00%
Rate of Increase in Salaries	3.00%	3.00%

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 2017	31st March 2018
Males		
Member Aged 65 at Accounting Date	23.0	23.1
Member Aged 45 at Accounting Date	24.0	24.2
Females		
Member Aged 65 at Accounting Date	25.7	25.8
Member Aged 45 at Accounting Date	27.1	27.2

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 2017	Asset Split as at 31st March 2018
Equities	78.10%	66.50%
Property	6.30%	6.30%
Government Bonds	8.50%	15.40%
Corporate Bonds	5.80%	10.40%
Cash	1.50%	1.40%
Other	-0.20%	0.00%
Total	100.00%	100.00%

Reconciliation of Funded Status to Balance Sheet

	Value at 31st March 2017 £M	Value at 31st March 2018 £M
Fair Value of Assets	14.950	16.930
Present Vale of Funded Defined Benefit Obligation	(26.110)	(27.920)
Funded Status	(11.160)	(10.990)
Unrecognised Asset	0	0
(Liability) Recognised on the Balance Sheet	(11.160)	(10.990)

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. Furthermore, 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 31st March 2017 £M	Period Ended 31st March 2018 £M
Operating Cost		
Current Service Cost	1.28	1.66
Past Service Cost (including curtailments)	0.00	0.00
Settlement Cost	0.00	0.00
Financing Cost		
Interest on Net Defined Benefit Liability/(Asset)	0.33	0.27
Pension Expense Recognised in Surplus or Deficit	1.61	1.93
Re-measurements in Other Comprehensive Income		
Return on Plan Assets (in excess of)/below that recognised in Net Interest	3.32	(0.10)
Actuarial (Gains)/Losses due to Changes in Financial Assumptions	10.12	(0.77)
Actuarial (Gains)/Losses due to Changes in Demographic Assumptions	(2.95)	0
Actuarial (Gains)/Losses due to Liability Experience	(9.76)	0.01
Total Amount Recognised in Other Comprehensive Income	0.73	(0.86)
Total Amount Recognised in Comprehensive Income & Expenditure	2.34	1.07

The current service costs included an allowance for the administration expenses of £0.02M at 31st March 2018.

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

	Period Ended 31st March 2017 £M	Period Ended 31st March 2018 £M
Opening Defined Benefit Obligation	26.20	26.11
Current Service Cost	1.28	1.66
Interest Expense on Defined benefit Obligation	0.92	0.66
Contribution by Participants	0.33	0.38
Actuarial (Gains)/Losses due to Changes in Financial Assumptions	10.12	(0.77)
Actuarial (Gains)/Losses due to Changes in Demographic Assumptions	(2.95)	0.00
Actuarial (Gains)/Losses due to Liability Experience	(9.76)	0.01
Net Benefits Paid Out	(0.03)	(0.13)
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
Closing Defined Benefit Obligation	26.11	27.92

Changes to the Fair Value of Assets During the Accounting Period

	Period Ended 31st March 2017 £M	Period Ended 31st March 2018 £M
Opening Fair Value of Assets	16.19	14.95
Interest Income on Assets	0.59	0.39
Re-measurements Gains/(Losses) on Assets	(3.32)	0.10
Contributions by the Employer	1.19	1.24
Contribution by the Participant	0.33	0.38
Net Benefits Paid out	(0.03)	(0.13)
Net increase in Assets from Disposals/Acquisitions	0.00	0.00
Settlements	0.00	0.00
Closing Fair Value of Assets	14.95	16.93

Actual Return on Assets

	Period Ended 31st March 2017 £M	Period Ended 31st March 2018 £M
Interest Income on Assets	0.59	0.39
Re-measurements Gains/(Losses) on Assets	(3.32)	0.10
Actual Return on Assets	(2.73)	0.49

Sensitivity Analysis

Discount Rate Assumption

Adjustment to Discount Rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present Value of Obligation (£M)	27.13	27.92	28.73
% Change in Present Value of Total Obligation	(2.8%)		2.9%
Projected Service Cost (£M)	1.60	1.66	1.72
Approximate % Change in Projected Service Cost	(3.5%)		3.6%

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)	28.29	27.92	27.55
% Change in Present Value of Total Obligation	1.3%		(1.3%)
Projected Service Cost (£M)	1.66	1.66	1.66
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 Figure	-0.1% p.a.
Present Value of Total Obligation (£M)	28.36	27.92	27.49
% Change in Present Value of Total Obligation	1.6%		(1.5%)
Projected Service Cost (£M)	1.72	1.66	1.60
Approximate % Change in Projected Service Cost	3.6%		(3.5%)

Post Retirement Mortality Assumption

Adjustment to Mortality Age Rating Assumption	- 1 year	Base Figure	+ 1 year
Present Value of Total Obligation (£M)	28.75	27.92	27.10
% Change in Present Value of Total Obligation	3.0%		(3.0%)
Projected Service Cost (£M)	1.72	1.66	1.60
Approximate % Change in Projected Service Cost	3.7%		(3.7%)

- 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.

28. 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.

Remuneration Band	2016/17 No of Employees	2017/18 No of Employees
£60,000 - £64,999	0	0
£65,000 - £69,000	0	0
£70,000 - £74,999	1	1
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £129,999	0	0

Senior Management

The Management Committee members of the Shared Regulatory Services Joint Committee are employed directly by the partner authorities and their remuneration is not reflected in the accounts or the remuneration disclosures.

The designated Section 151 Officer for the Joint Committee is the Section 151 Officer for the Vale of Glamorgan Council as host authority. No remuneration for this post has been charged to the accounts or is included in the disclosure notes.

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.

Exit Packages 2016/17			
Exit Package Cost Band (Including Special Payments)	No of Other Departure Agreed	Total No of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band (£)
£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
Total	2	2	20,122

Exit Packages 2017/18			
Exit Package Cost Band (Including Special Payments)	No of Other Departure Agreed	Total No of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band (£)
£0 - £20,000	1	1	3,164
£20,001 - £40,000	0	0	0
£40,001 - £60,000	0	0	0
£60,001 - £140,000	0	0	0
Total	1	1	3,164

29. Interest

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

	2016/17 £	%	2017/18 £	%
Interest charged on SRS Account Balance	£1,288.27	0.34%	(157.87)	0.34%

Glossary

Accounting Period

The period of time covered by the accounts, typically a period of 12 months commencing on 1st April. The end of the accounting period is the balance sheet date.

Accounting Policies

The specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting its financial statements.

Accruals

Amounts included in the final accounts to recognise revenue and capital income and expenditures earned or incurred in the financial year, but for which actual payment had not been received or made as at 31st March.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because of events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or the actuarial assumptions have varied.

Amortisation

The gradual elimination of a liability, such as a loan, funded in regular payments over a specified period of time. Such payments must be sufficient to cover both principal and interest.

Asset

An item having value to the authority in monetary terms. Assets are classed as either current or non-current;

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock)
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a building or vehicle, or intangible e.g. computer software licenses.

Balance Sheet

A statement in the recorded assets, liabilities and reserves at the end of the accounting period.

Capital Financing

Funds obtained to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

Cash Equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Comprehensive Income and Expenditure Account

The revenue account of the Shared Regulatory Service (SRS) that reports the net cost for the year of the functions for which it is responsible, and demonstrates how that cost has been financed from budgeted contributions, grants and other income.

Creditor

Amount owed by the SRS for works done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit pension scheme's liabilities, expected to arise from employee service in the current period.

Debtor

Amount owed to the SRS for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

Defined Benefit Pension Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

Depreciation

The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the SRS's non-current assets during the accounting period, whether from use, the passage of time, or obsolescence through technological or other changes.

Discretionary Benefits (Pensions)

Retirement benefits which the employer has no legal, contractual or constructive obligation to awards and are awarded under the Authority's (Vale of Glamorgan Council as Host) discretionary powers such as the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

Effective Interest Rate

This is the rate of interest needed to discount the estimated stream of principal and interest cash flows through the expected life of a financial instrument to equal the amount at initial recognition.

Employee Benefits

All forms of consideration given by the SRS in exchange for services rendered by its employees.

Events After The Balance Sheet

Events after the balance sheet date are those events, favourable or unfavourable, that arise between the balance sheet and the date when the Statement of Accounts is authorised for issue.

Exceptional Items

Material items which derive from affairs or transactions that fall within the ordinary activities of the SRS and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Return on Pension Assets

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items, having a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

Fair Value

The fair value of an asset is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's-length transaction.

Going Concern

The concept that the Statement of Accounts are prepared on the assumption that the SRS will continue in operational existence for the foreseeable future.

Impairment

A reduction in the value of a non-current asset to below its carrying amount on the balance sheet. Impairment may be caused by a consumption of economic benefit (economic benefit impairment) of a general fall in prices.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are most frequently found in local authority computer software.

Liability

A liability is where the SRS owes payment to an individual or another or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an accrual sum over a period of time.

Materiality

The concept that the Statement of Accounts should contain all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead the user of the accounts.

Net Book Value

The amount at which non-current assets are included in the balance sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation and impairment.

Past Service Cost (Pensions)

For a defined pension scheme, the increase in the present value of the scheme's liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

Pension Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Prior Year Adjustment

Material adjustments relating to prior years arising from changes in accounting policies for from the correction of fundamental errors. This does not include normal recurring correction or adjustments of accounting estimates made in prior years.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur, but the amounts or dates of when they will arise are uncertain.

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available can be spent or earmarked at the discretion of the SRS.

Residual Value

The net realisable value of an asset at the end of its useful life.

Useful Economic Life (UEL)

The period over which the SRS will derive benefits form the use of a non-current asset.

VALE OF GLAMORGAN COUNCIL

JOINT SHARED REGULATORY SERVICE

Annual Governance Statement 2017/18

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 on-going 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 2017 to 31st March 2018.

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 1st April 2017 to 31st March 2018 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 10th April 2015 all parties formally signed the Joint Working Agreement with an agreed commencement date of 1st 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 Bridgend CBC, City of Cardiff Council and Vale of Glamorgan Council's Committees.

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)
- Corporate Director – Operational & Partnership Services (BCBC)
- Head of Shared Regulatory Services (VoGC)
- Corporate Director of Planning, Transport and Environment (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 31st December.

3.8 Service Structure

At the commencement of the Shared Regulatory Service on 1st 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 1st 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 2017/18 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

- 3.12 During 2017/18, 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 2018 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 2017/18 have been implemented.
- 3.13 The objectives of the review were 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 2018/19 and 2019/20 Audit Plans.
- 3.17 The 2017/18 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 2017/18, which will be presented to the Joint Committee in June 2018.

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 2017/18.

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:

Councillor Michael Michael - Chair of the Shared Regulatory Services

Signed:

Carys Lord – Section 151 Officer

Signed:

Miles Punter – Chair of the Shared Regulatory Services Management Board

Signed:

Dave Holland – Head of the Shared Regulatory Services