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| Meeting of: | Audit Committee |
| Date of Meeting: | Tuesday, 03 September 2019 |
| Relevant Scrutiny Committee: | Corporate Performance and Resources |
| Report Title: | Audit of the 2018/19 Joint Committees Financial Statements |
| Purpose of Report: | To advise Committee of the report of the Auditor General for Wales, following the audit of the 2018/19 Financial Statements of the Shared Regulatory Service and the Vale, Valleys and Cardiff Regional Adoption Service. |
| Report Owner: | Report of the Managing Director |
| Responsible Officer: | Head of Finance/ Section 151 Officer |
| Elected Member and Officer Consultation: | None |
| Policy Framework: | The proposals in this report are in accordance with Policy Framework and Budget |
| <p>Executive Summary:</p> <ul style="list-style-type: none"> • The audit of the 2018/19 Financial Statements of the Shared Regulatory Service and the Vale, Valleys and Cardiff Regional Adoption Service now complete. • The latest 2018/19 Financial Statements incorporate all agreed amendments and are now presented to Audit Committee for information. • The final audited 2018/19 Financial Statements must be signed by the Auditor General before 15th September 2019. | |

Recommendations

1. That the Financial Statements relating to the Shared Regulatory Service and the Vale, Valleys and Cardiff Regional Adoption Service be noted.
2. That the report of the Appointed Auditor on the audit of the Shared Regulatory Service Financial Statements for 2018/19 be noted.

Reasons for Recommendations

1. To ensure that the Members are aware of the results of the audit of the 2018/19 Financial Statements of the Shared Regulatory Service and the Vale, Valleys and Cardiff Regional Adoption Service.
2. To ensure that the Members of the Audit Committee, as those charged with governance, have considered the results of the audit of the Shared Regulatory Service Financial Statements for 2018/19.

1. Background

- 1.1 The Vale of Glamorgan Council is responsible for the preparation of the Financial Statements that presents fairly the financial position of the Shared Regulatory Services and the Vale, Valleys and Cardiff Regional Adoption Service as at 31st March 2019. The Auditor General for Wales is responsible for reporting whether, in his opinion, this is indeed the case. The audits were undertaken by the Wales Audit Office (WAO) as the Council's Engagement Lead, on behalf of the Appointed Auditor.
- 1.2 The Financial Statements for 2018/19 were prepared by the 15th June 2019 and on 1st July 2019, unaudited copies were brought to this Committee.
- 1.3 The Vale, Valleys and Cardiff Regional Adoption Service accounts were not subject to a full external audit by Wales Audit Office but an annual return has been completed by Accountancy and Internal Audit, Wales Audit Office provided a limited assurance audit for the service.
- 1.4 With the audit of these Financial Statements now substantially complete, a report detailing the key matters arising from the audit must be reported by Auditor General for Wales in line with their terms of reference and the Financial Statement of the Shared Regulatory Service should be signed by the Chair, with the Chair only resigning the Vale, Valleys and Cardiff Regional Adoption Service's financial statement if there are any amendments from the unaudited version.

2. Key Issues for Consideration

Shared Regulatory Service

2.1 The latest 2018/19 Statement of Accounts incorporating all currently agreed amendments is attached at Appendix A and the Audit of Financial Statements Report is attached at Appendix B.

2.2 The provisional findings of the Welsh Audit Office on behalf of the Appointed Auditor on the audit of the Financial Statements are that:-

- WAO have no concerns about the qualitative aspects of your accounting practices and financial reporting. The information to support the financial statements was relevant, reliable, and easy to understand. They concluded that accounting policies and estimates are appropriate and financial statement disclosures are unbiased, fair and clear.
- They did not encounter any significant difficulties during the audit. WAO received information in a timely and helpful manner and were not restricted in our work.
- There were two significant matters discussed and corresponded upon with management which we need to report to you.

Increase in Pensions Liability - In December 2018, the Court of Appeal ruled against the Government, holding the changes made to pension schemes discriminated against a group of public officers on the grounds of age. The changes surrounded a move from a final salary to a career average basis. On 27 June 2019, the Supreme Court denied the Government's application for leave to appeal the decision. This series of events is referred to as the McCloud judgement. This judgement impacts on many public sector pension schemes and all of these schemes have had to consider the impact of this judgement on their 2018/19 financial statement disclosures. Where the impact has been considered to be material in value, amendments to the financial statements have been made. The Council has assessed the financial impact of this legal judgement as £634k and has adjusted the accounts accordingly.

Presentation of the Net cost of Services in the Comprehensive Income and Expenditure Statement (CIES) - The CIPFA Code requires that the presentation of both Net Cost of Services within the Comprehensive Income and Expenditure Statement (CIES) and the Expenditure and Funding Analysis (EFA) is consistent with the body's internal management reporting structure, which in the Joint Committee's case is in accordance with its operational activities. However, the CIES and EFA are presented differently in the Joint Committee's accounts in a format whereby the nature and type of its income and expenditure is disclosed. An additional note is now included in the financial statements setting out the presentation of the net cost of services consistent with its internal reporting arrangements.

- There are no other matters significant to the oversight of the financial reporting process that need to be reported.

- WAO did not identify any material weaknesses in our internal controls.
- There is are no matters specifically required by auditing standards to be communicated to those charged with governance.

2.3 There were a number of small misstatements that have been corrected following discussion between the Wales Audit Office and the Section 151 Officer and these are set out in Appendix 3 to the ISA260.

2.4 It is the intention of the Appointed Auditor to issue an unqualified audit report on the Financial Statements once the relevant Council Officers have provided a signed Final Letter of Representation.

Vale, Valleys and Cardiff Regional Adoption Service

2.5 The Annual Return is included at Appendix C and is unchanged from the return brought to Committee on 1st July 2019.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

3.1 The Council's revenue budget and therefore its expenditure is incurred in order to achieve its corporate priorities as set out in the Corporate Plan 2016-2020 through the 4 well being outcomes.

4. Resources and Legal Considerations

Financial

4.1 As stated in the body of the report

Employment

4.2 None as a direct consequence of this report

Legal (Including Equalities)

4.3 The Statement of Accounts is prepared in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended).

5. Background Papers

None



Shared
Regulatory
Services

Gwasanaethau
Rheoliadol
a Rennir

Shared Regulatory Service Joint Committee

Audited Statement of Accounts 2018/19 Year Ended 31st
March 2019

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Shared Regulatory Service Joint Committee

Statement of Accounts 2018/19 Year Ended 31st March 2019

Narrative Report

Introduction

This document presents the Statement of Accounts for the Shared Regulatory Service in respect of financial year 2018/19, and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The Shared Regulatory Service (SRS) is a collaborative service formed between Bridgend, Cardiff and the Vale of Glamorgan Councils on the 1st May 2015. The Service delivers a fully integrated service under a single management structure for Trading Standards, Environmental Health and Licensing functions with shared governance arrangements ensuring full elected member accountability and scrutiny.

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 and subsequent updates have been signed by the 3 authorities.

The SRS operates under a Joint Working Arrangement (JWA) whereby the Head of the SRS reports on service provision to a Joint Committee of elected members drawn from across the three parent Councils. An officer Management Board has been tasked with the oversight of the operation and future development of the service. The detailed delegations of policy and function from partners to the Joint Committee and Head of Service are set out in the Joint Working Agreement, which includes:-

- The functions to be carried out by the joint service.
- The terms of reference and constitution of the Joint Committee, the Management Board etc.
- The terms of joint service such as staffing, services to be provided by the Host and other partners, financing and other functional issues.
- The Financial Operating Model.

Consequently, the SRS works across the 3 Councils, supporting a range of Committees and where required the 3 Cabinets, to deliver the Regulatory functions. The workflow involves quarterly meetings with the Management Board followed by meetings of the SRS Joint Committee, details of which are then communicated to all 3 Cabinets. Officers meet members of the Joint Committee on a regular basis to ensure both regional and local issues are considered and managed appropriately.

All of the SRS Joint Committee meeting agendas and minutes since April 2015 are held on the websites of each constituent Council. The reports depict the genesis, development and future direction of the SRS.

Shared Regulatory Service Joint Committee

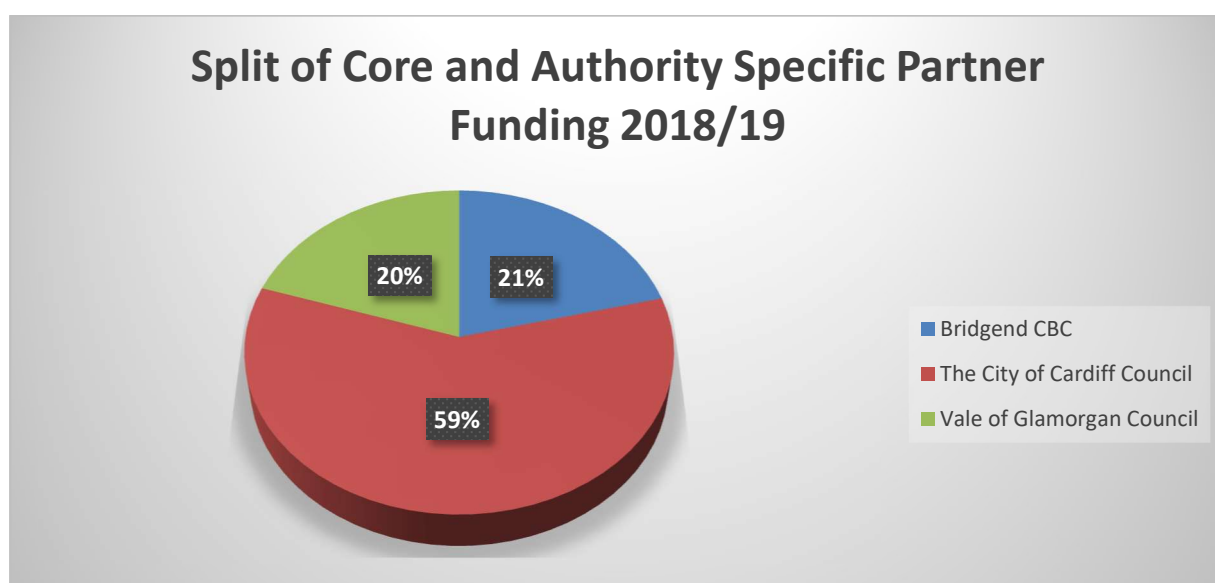
The narrative report provides insight into the funding and expenditure appertaining to the SRS in the year, the key financial issues and pressures and a look to future years.

Information contained within these accounts provides the user with clarity on the nature of transactions in respect of the financial year ended 31st March 2019, 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 2018/19 total budgeted contribution made to the SRS by the partner Authorities, to include both Core and Authority Specific Services.



Summary of Financial Performance

The financial position of the SRS is regularly reported to the SRS Board and Joint Committee, with the same reports also being forwarded on a timely basis to the nominated senior manager of each Authority during the year.

Expenditure incurred by the SRS is predominantly split into two main elements, Core and Authority Specific Services. Core Services are those functions that are undertaken on behalf of all Authorities, with the associated budgets apportioned on an annually updated pre-agreed population basis. Authority Specific Services are unique to each authority. These are Services which are not undertaken across all authorities' areas, but occur within one part of the SRS area such as Night Time Noise Pollution, which is charged directly to the relevant authority. Licensing is the exception to this rule, as is undertaken at each Authority. There is a legal requirement that the Licensing Service remain seated in the legacy authority, with each having their own assigned Licensing Committee within the said legacy authority.

The SRS 2018/19 gross expenditure budgets are shown on the following table.

| Authority | Participant Apportionment % | Core Services Budget 2018/19 £'000 | Authority Specific Budget 2018/19 £'000 | Budgeted Expenditure 2018/19 £'000 |
|-------------------|------------------------------------|---|--|---|
| Bridgend | 22.39% | 1,401 | 373 | 1,774 |
| Cardiff | 57.51% | 3,601 | 1,377 | 4,978 |
| Vale of Glamorgan | 20.10% | 1,259 | 493 | 1,752 |
| Total | 100.00% | 6,261 | 2,243 | 8,504 |

The table below illustrates the budgeted expenditure against the actual expenditure incurred for the period 1st April 2018 to 31st March 2019.

| Category | Budgeted Expenditure £'000 | Actual Expenditure £'000 | Variance £'000 |
|--------------------|-----------------------------------|---------------------------------|-----------------------|
| Core Services | 6,261 | 5,761 | 500 |
| Authority Specific | 2,243 | 2,247 | (4) |
| Total | 8,504 | 8,008 | 496 |

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 2018/19 in relation to a shared value of £56k, and continue to be held within Usable Reserves. 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 some outstanding partially completed IT consultancy work. The costs of these are reflected in the £56k retained within the Usable Reserves, it is expected that the expenditure will be incurred in 2019/20.

The main components relating to the Core underspend are staffing costs below budget, where there were two secondments out of the service, which when backfilled left vacancies lower down the structure. To enable the service to achieve the agreed 2019/20 savings target, a mini-restructuring exercise was undertaken. This resulted in 16 staff leaving the Service in the year – not all of whom were at risk. There have been issues associated with attracting suitably qualified staff to the Food and Health & Safety teams, where there appears to be a national shortage of qualified officers. There have been difficulties in back filling maternity cover, where the SRS instances of maternity/paternity leave stands at 4.18% with the corporate average being 2.67%, lower by 1.51%. There was a small overspend on Transport where vehicle repair and running costs were above budget.

Included within the Host Authority Charges and Technical Adjustments heading, are the acquisition costs of a number of replacement vehicles, which have replaced some of the existing fleet that have come to the end of their economic life. It is anticipated that these vehicles will attract lower running and repair costs, and will make a positive contribution towards air quality resulting from lower emissions.

Income receipts exceeded target, through staff recharges for secondments out of the service, plus compensation in respect of a Monetary Order which offsets legal and investigation costs.

Unbudgeted funding has also been received from the Food Standards Agency in the form of a grant, a contribution towards an ongoing investigation from the National Trading Standards Board, plus 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 the Licensing Section of Cardiff Council where staffing, taxi plates plus Disclosure and Barring Service costs have exceeded the budget. The Service is in dialogue with Cardiff to address this position in future periods.

Brexit and Changes in Legislation

At the time of writing, the issues of Brexit remain unresolved. Dependent on events that impact on the UK's withdrawal from the European Union, the annual accounts may require consideration.

Usable Reserves

As at the 31st March 2019, the SRS held Usable Reserves of £890k. As authorised by the September 2018 Committee, the £346k 2017/18 underspend was returned to the partner 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 2019 Joint Committee for approval.

Capital Expenditure

In 2018/19, the SRS incurred £138k 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 third full year of the SRS can be accessed on the Council website.

Shared Regulatory Services Annual Report will be reported to Committee 11th June 2019.

Pension Assets and Liabilities

The value of the pension liability in 2018/19 is £11.300m. 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

The Shared Regulatory Service Plans are developed in consultation with stakeholders. They inform and direct the work of the Service, and contribute towards the corporate priorities of each partner Authority. The Service has five main aims which are;

- Improving Health and Wellbeing
- Safeguarding the Vulnerable
- Protecting the Local Environment
- Supporting the Local Economy
- Maximising the use of the Shared Regulatory Service's Resources.

Details of how these aims have been incorporated into the activities undertaken by the Service are illustrated below.

Improving Health and Wellbeing

Improving health and wellbeing is a key priority for Shared Regulatory Services. 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, 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 that the work undertaken by the SRS is hugely important to the health and wellbeing of the region.

The Gambling Policy for all 3 authorities was reviewed and reissued. The review was undertaken to meet the requirements of the Gambling Act 2005. Previous years reviews have focused upon young people and ensuring they are not able to gamble at premises licensed by the Councils. More recently, gambling is being recognised as a public health problem. While only a minority of gamblers are identified as problem gamblers, research is emerging that suggests that the financial, health and social harms that arise from gambling can impact upon families, communities and wider society. The increase in on-line gambling and the increase in the advertising of gambling products all plays a significant role. Research suggests, such developments increase gambling behaviours and possibly shape a more permissive social attitude to gambling. The Councils role here is limited, but the SRS is working with a range of organisations in Wales to contribute where possible to mitigate the impact gambling has upon vulnerable individuals.

Following the tragic fire and loss of life in Grenfell Tower in North Kensington there has been a nationwide review of the use of a particular type of cladding known as Aluminium Composite Material (ACM) which was used in the Tower. Within Cardiff in the last 12 months, the SRS has begun to take a more prominent role in respect of the affected high-rise buildings and remains in consultation with Welsh Government and the Fire Service as to the potential changes in policy and practice as a consequence of Grenfell. Recently, the Minister for Housing and Regeneration convened an Expert Group, to develop a 'road map' to respond to the issues raised by the Independent Review of Building Regulations and Fire Safety (the 'Hackitt' review). The Head of Service attends this group as a representative of the Regulatory Services in Wales. A new addendum to the Housing Health and Safety Rating System guidance (HHSRS) to clarify how an HHSRS assessment of fire risk where aluminium composite material (ACM) cladding is present in high rise buildings should be conducted has been introduced in England. The SRS is encouraging the Welsh Government to introduce the addendum promptly in Wales and to make other policy changes to Housing law.

Three owners of takeaways in the Barry and Bridgend areas were prosecuted following test purchases carried out in relation to allergens. Orders were made of rice dishes where the businesses were specifically told it was for someone who was allergic to egg. However, when tested the food was later found to contain egg or egg protein. In one case, 77 times the amount of egg required to cause a reaction in an allergic person was found. Furthermore, these purchases were conducted only a few months after informal test purchases had been carried out when all three businesses had failed and subsequently been provided with advice. The businesses were fined in total £1800, £1975 in costs and £265 victim surcharges. One owner was given a Community Order to undertake 300 hours of unpaid work. This project is now being undertaken in other parts of the country.

A business was fined £140,000, ordered to pay costs of £11,835 and a victim surcharge of £170 following a successful prosecution instigated by Shared Regulatory Services for a health and safety offence. The incident which occurred in 2018 occurred at a pub in Barry when a customer was left with serious injuries after falling through a cellar door which had been left open for cleaning staff. The customer fell down a concrete flight of stairs and was found unconscious after suffering a fractured skull and a bleed on the brain.

The SRS began an investigation into the safety of trampoline parks in 2018. These indoor activity areas have become increasingly popular and attract significant numbers of children. SRS investigated the construction materials used at one site and determined that the products used were of concern. The application of the law to these relatively new play environments was unclear. Following a legal opinion, the SRS intervened and required the operator to undertake a number of corrective actions before reopening the facility to the public. The SRS will now extend this piece of work in 2019 to the other similar venues in the region.

The Port Health work has received significant attention this financial year. At Cardiff Airport due to the airport having divert status and being a designated point of entry for Communicable Disease, the SRS Port Health are working closely with Public Health Wales, the Ambulance Trust and airport management to ensure suitability of facilities in case of an infectious disease emergency. Imported trade is continuing to be monitored from Qatar Airlines, to date no food has been identified as being imported.

Vessel movements at the sea ports of Cardiff and Barry continue to be monitored with ships boarded according to risk in order to carry out inspections. The importance of this in protecting crew welfare was highlighted when a ship arrived at Cardiff sea port with a ship sanitation control certificate that had been issued in Turkey but without any indication of what these controls should be. A port health officer from SRS boarded the ship and found that conditions on board were very poor with issues relating to cleanliness of the galley, welfare of the crew i.e. a lack of food provision for the crew with only a very small amount of dry food and frozen meat and no fresh food, and disrepair to the structure of the ship including in cabins. The officer through the agent and owner arranged for food to be delivered to the ship within 24 hours and contacted the Maritime and Coastguard Agency (MCA) who detained the ship at Cardiff Dock due to major contraventions being identified and the ship was not able to leave until MCA approval was received.

Safeguarding the Vulnerable

Our safeguarding work seeks to ensure that children are protected from harmful substances and products, that older and vulnerable people are protected from unscrupulous individuals and traders, that illegal money lending activities across Wales are challenged robustly and that the public feel safe when using taxis as public transport. We will do this in partnership with our Council colleagues and other agencies to help people who need our support. Safeguarding the vulnerable is a central theme to many of the activities undertaken by SRS.

Call blockers can put an end to nuisance or malicious calls. They can be installed at the homes of residents being repeatedly targeted by scams and once fitted, prevent all calls coming through other than those from recognised friends and family numbers. In one case a referral was received from a social worker concerned about a person who was being bombarded by sales and nuisance telephone calls. Following intervention by SRS officers and a review of the individual's financial commitments, "unnecessary" payments to different organisations were terminated and the vulnerable person also received some compensation. SRS now has some 40 call blockers installed in residents' as a highly effective way of reducing nuisance and scam calls. Figures for 2018 published by the device supplier indicate that 41% of all incoming calls at these properties are nuisance or scam related, and that the devices are blocking 100% of unwanted calls from getting through to the residents concerned.

Research has shown that the average amount lost through a scam is £1,862, however the true value of call blocker devices can be immeasurable when they provide the comfort and peace of mind older and vulnerable residents need to help them continue living independently in their own homes. The SRS call blockers are now being supplemented by the use of "Memocams" which can be fitted to deter cold callers at the door.

In order to strengthen improvements in safeguarding, particularly in relation to children, a programme of training and awareness of Child Sexual Exploitation (CSE) with the taxi community and other stakeholders was undertaken in Bridgend where training sessions were held with the trade in conjunction with South Wales Police and Social Services. A recent initiative, Operation Brake, involved Licensing Officers in Bridgend working with South Wales Police to raise awareness of CSE within the night time economy in Bridgend. Officers visited licensed premises and taxi ranks in the town centre to engage with workers in the night time economy on how to spot the signs of CSE and how to report anything suspicious. This operation involved partnership working to highlight this crucial issue which impacts on the most vulnerable young persons within our communities. In Cardiff, the hackney carriage/private hire driver's written knowledge test was also updated to include a section on CSE, based on the booklet produced in conjunction with Cardiff Children Services. Drivers must pass this test to show that they can spot the signs of vulnerability and what to do if they see an issue to become a licensed driver.

Following a spate of tragic incidents involving the use of knives, Cardiff was identified as one of two areas of concern in Wales with regard to the prevalence of knife crime. In order to play a key role in tackling this disturbing trend, SRS successfully bid for nearly £20,000 of Home Office funding to undertake compliance checks to identify the extent to which young people were able to purchase knives and other bladed instruments across the city and identify problem sectors of the trade. 250 test purchases took place of knives, bladed articles and axes across the SRS area using trading standards volunteers under the age of 18. The failure rate was 11% with 28 out of 250 premises selling to a person under the age of 18. A variety of products were sold including kitchen knives, Stanley knives and an axe. Following the test purchasing exercise all of the premises that failed were sent a warning letter and invited to engage with the SRS to discuss the sale and the training that is provided to staff. Most of the premises made contact and further visits were carried out by officers to offer advice and education. Fifteen premises that failed have recently been re tested with South Wales Police assisting and all of the premises passed. Some premises had removed all knives from the shop whilst others had taken extra steps to reduce accessibility of the product by placing them behind the till areas. A further thirteen premises are due to be re tested at the end of April.

Protecting the Environment

Protecting the environment is a core strategic priority of the SRS. Many of the activities such as water sampling, monitoring air quality, and remediating contaminated land contribute toward promoting a better environment. This in turn means better long term prospects for the health and wellbeing of our communities. The SRS has a key role to play in ensuring we make best use of existing resources and bringing back redundant/derelict properties into use is an important contributor to both the environment and local community development. We have a key role to play in the wider climate change and future generations agendas through our enforcement role on energy efficiency controls on properties and products. The impact of these activities is less apparent in the short term for communities, but has an important role for future generations. In the more immediate term, we ensure communities are protected from nuisance and are safer by investigating noise complaints, dealing with stray dogs and horses.

Within Bridgend and Cardiff Council, the SRS has provided dedicated officer resource to assist with the work bringing empty properties back into residential use. It is recognised that empty properties are a wasted resource. Whilst they may not always be left in a state of disrepair, there are always consequences, and these can be summarised into three factors:

- Social, such as crime including arson, graffiti, squatting, as well as reduced public confidence in the area or the Council;
- Environmental, including rodent infestation, fly tipping, dangerous structures, and a poor impression of the area; and
- Economic, such as repair costs, increased burdens on councils' resources, property devaluation and deterred investment.

Within Bridgend an SRS Officer has co-ordinated an Empty Homes Working Group which has led to consultation on a new Empty Homes Strategy, using a whole authority approach. The Council and its partners seek to work cooperatively with owners of empty properties to bring their properties back into use. The Council also provides owners with help and assistance, including empty homes grants and empty property loans and where appropriate, through the use of targeted enforcement action. The renewed focus on empty properties has led to increased performance, with a total of 104 properties brought back out of 1,237 empty at the start of the year.

Similarly at Cardiff, the Welsh Government performance indicators were exceeded for last year as a result of a combination of both proactive and reactive work, with an on-going caseload of approximately 200 empty properties. Casework involves both informal negotiation and formal enforcement work in order to assist owners in bringing their properties back into use or to require improvements to eradicate associated nuisances. The work follows a general process in line with the Council's Empty Property Policy in order to open a dialogue with owners and where that fails, formal enforcement in the form of statutory notices, in addition to such measures as compulsory purchase and enforced sale. During 2018/19 the compulsory purchase procedure has been commenced on 3 long term problematic empty properties, one of which is currently being renovated by the owner. The Empty Homes Policy within Cardiff is being reviewed this year and we will consult with internal and external stakeholders as part of that process.

Although no dedicated SRS resource has been allocated within the Vale, we continue to contribute to the Empty Homes Strategy through the use of enforcement where owners have refused offers of help and the property is having a significant impact on the surrounding area.

During the last year, the SRS ensured that the Bridgend, Cardiff and the Vale of Glamorgan Councils met their statutory obligations under the Environment Act by producing air quality reports for each area and reporting to the respective Cabinets. Failure to produce said reports could have led to the issue of a Welsh Government direction under Section 85(3) of the Environment Act 1995.

In Cardiff, the SRS continued to play a significant role in assisting the City of Cardiff Council as it identifies the most effective way to improve air quality in the city going forward. The SRS Team Manager Specialist Services Environment has been seconded to Cardiff Council for a period of at least nine months in the role of Project Manager for the Council's Air Quality Strategy.

In Bridgend, the monitoring at a new location during 2017 and 2018 identified average nitrogen dioxide levels (NO₂) that breach the annual objective set for NO₂. As a result of this finding, Bridgend County Borough Council approved a recommendation made by the SRS to designate an Air Quality Management Area (AQMA) at this town centre location (Park Street), and the new AQMA was declared, effective from 1st January 2019. Public engagement is due to commence on possible solutions for the AQMA and a draft action plan is being produced to set out and consider a range of measures.

In the Vale of Glamorgan, Cabinet approved a recommendation made by the SRS to revoke the Windsor Road, Penarth AQMA as a result of improvements in air quality over a number of years. Public engagement on the revocation is due to commence and residents are reminded that the monitoring will continue in the area to ensure that the greatly improved standard of air quality is maintained.

Officers within Cardiff have led a consultation on new emission standards for taxis and private hire vehicles which is part of the package of proposals aimed at improving air quality and ensuring legal compliance by 2021. Currently 87 % of the taxi fleet licenced in the city does not meet the latest Euro 6 standard and it is estimated that should the proposals be implemented 622 of the oldest and most polluting vehicles will be replaced within the first year. Officers will continue to liaise with the Trade and will draft a report on the result of the consultations for Members to take a final decision on the age, emission and testing proposals for taxis licensed in the city.

Supporting the Local Economy

A strong local economy is a key component in the quality of life experienced by local people. The work of 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 practice. Much of our market surveillance activity focuses upon maintaining balance in the “marketplace”; the equitable enforcement of regulations helps businesses to compete on equal terms ensuring a fairer trading environment. Our role as regulator also extends to providing information to support consumers to enable them to become better informed and confident. 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.

SRS hosted a forum for food businesses at the Principality Stadium in March to give businesses advice on how best to meet standards. Over 170 delegates booked onto the event,

representing a diverse range of organisations, including cafés, health boards, nurseries and hotel chains. Environmental Health and Trading Standards professionals from the SRS advised delegates about health and safety in catering, how the food hygiene rating system works in practice and how to improve and maintain a food hygiene rating. Furthermore advice was given on preventing the spread of norovirus and the topic of food allergens which gave attendees the chance to understand their responsibilities in law whilst ensuring the safety of their customers. The event also highlighted the tailored advice services available via paid-for services, or through Primary Authority partnerships which can include staff training, auditing of terms, conditions, policies and procedures and mock food hygiene inspections to better prepare businesses for the real thing. The event was very well received by all attendees, in fact, following the event, a food inspection was undertaken at a delegate's food business where he had implemented improvements as a result of the event and received an improved food hygiene rating score.

Helping businesses to improve their food hygiene rating score (FHRS) was the drive behind a successful bid to the Food Standards Agency for project funding during 2018. The FHRS intervention grant enabled SRS to target those businesses most in need of support in improving their score, and officers worked with food businesses across the region having poor scores of between 0 and 2. What followed was a programme of intensive 1 to 1 assistance provided to some 14 businesses. The impact of the interventions has been evaluated by reference to the FHRS scores of each of the businesses both before and after the training and support was provided. The results are quite remarkable. Most notably:

- The average FHRS score across the fourteen businesses before the intervention was 1.5.
- The average FHRS score across the fourteen businesses after the interventions was 4.
- The greatest improvement was shown by a business achieving a FHRS rating of 4 having previously been zero rated.
- Three premises achieved a 5 rating after the intervention, two having been on a rating of 2 previously and the other on a rating of 1.

As an added benefit of this work, officers were able to pilot the newly developed SRS Hazard Analysis and Critical Control Points (HACCP) training for businesses which is now available to book. It is hoped that given the huge success of the project in driving up low FHRS scores, similar interventions will be possible in the coming year, ideally with further FSA funding.

The three Licensing teams throughout the SRS are busy front line services dealing with a wide variety of activities which require licensing by the Council in order to protect public health and safety. One of the major developments in the Licensing sphere is a consultation and report by Welsh Government in relation to the future of taxi licensing. Reports have been taken to all three Public Protection Committees to advise Members of the proposals which include the option of removing Licensing of taxis from local authority control and the setting up of a Joint Transport Agency (JTA) to undertake this work. Officers have participated in stakeholder meetings with Assembly Members and have fed back the view that whilst local authorities support the establishment of national standards and information sharing between Authorities, there is no evidence to support the view that the public would benefit from the role being passed to one JTA.

Maximising the use of Shared Regulatory Service's Resources

Maximising the use of resources was the original catalyst for creating SRS, and our work in this area continues. By reducing “triplication” of effort, introducing better processes, making our systems work without constant intervention, improving access into the service, our business improves and we increase customer satisfaction. Income generating activities like marketing our metrology laboratory, offering paid advice services, building Primary Authority partnerships and extending our training provision to business are examples of our move to a more “commercial” culture. Our income levels in 2018/19 were the best to date and we are confident that this will continue in 2019/20.

Above all, we recognise that crucial to the success of 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. The service has been recognised by different organisations for our efforts in regulating particular aspects of the marketplace. In 2018/19 the SRS was recognised by the RSPCA award for our work on animal welfare, by the Hallmarking Council for our investigations into sales of gold and silver, and by the Anti-Counterfeiting Group for our challenges to the sale of fake products.

Our Business Support team has achieved further efficiencies over the course of the year as we continue to streamline and harmonise working practices across the three hubs. This work has been particularly successful in respect of the processing of Freedom of Information requests and in the transcription of defendant interviews as part of the prosecution process where demand can now be managed over the different offices. In addition, a further tranche of the remaining phone calls dealt with by the Cardiff hub have been transferred to C1V.

Further improvements have been made in accessibility to, and the content of, the SRS website with greater reliance being placed on web forms as a means of contacting the service for non-urgent matters. Going forward, this continues to be an important element of the wider SRS agenda for digital channel shift which over time will lead to a reduction in enquiries reaching the service by telephone.

The SRS Twitter account (@SRS_Cymru) continues to prove popular with a steady growth in the number of its followers. A more recent development has been the launch of the dedicated Twitter account for the Wales Illegal Money Lending Unit (@LoanSharksWales). As well as the obvious benefits this brings in terms of raising awareness of the dangers of dealing with loan sharks; the account provides an additional route for complaints, intelligence and requests for victim support to come through to the Unit direct.

While the SRS budget savings work resulted in the loss of three Support Officer posts last year, the progression of a number of staff into vacancies elsewhere in the structure meant that that the number of staff leaving the service was kept to a minimum.

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 Accounts

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: 10th September 2019

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 2019, and its income and expenditure for the period then ended.

Signature:

Date: 10th September 2019

Carys Lord

Head of Finance/Section 151 Officer

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 Shared Regulatory Services Joint Committee

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Shared Regulatory Services Joint Committee for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

The 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 2018-19 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 31st March 2019 and of its income and expenditure for the year then ended; and
- have properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

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 statement of accounts. The other information comprises the information included in the statement of accounts other than the financial statements and my auditors 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 2018-19; and
- 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 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:

- proper 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 set out on pages 14 to 15 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
September 2019

24 Cathedral Road
Cardiff
CF11 9LJ

Shared Regulatory Service Expenditure and Funding Analysis 2017/18

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.

| Re-stated Expenditure and Funding Analysis 2017/18 | Net Expenditure Chargeable to General Fund Balances £'000 | Line Adjustments £'000 | Comprehensive Income and Expenditure £'000 |
|---|--|---------------------------|---|
| Staff Costs | 6,998 | 931 | 7,929 |
| IAS 19 Adjustment | 420 | | 420 |
| Premises | 50 | | 50 |
| Transport | 176 | 5 | 181 |
| Supplies & Services | 1,250 | (326) | 924 |
| Third Party Payments | 28 | | 28 |
| Capital Expenditure (from) Revenue Account | 23 | (23) | 0 |
| Amortisation | 23 | | 23 |
| Depreciation | 22 | | 22 |
| Grant Income | (658) | | (658) |
| Fees and Charges | (127) | | (127) |
| Net Cost of Services | 8,205 | 587 | 8,792 |
| <u>Financing and Investment Income and Expenditure</u> | | | |
| Contribution from Other Local Authorities | (8,588) | (95) | (8,683) |
| Interest Receivable | 0 | | 0 |
| Repayment of Underspend | 173 | | 173 |
| Pensions Interest Payable | 0 | 270 | 270 |
| (Surplus) or Deficit on the Provision of Services | (210) | 762 | 552 |
| Opening General Fund Balance at 31 March 2017 | (530) | | |
| Less Deficit on General Fund Balance in Year | (210) | | |
| Closing General Fund Balance at 31 March 2018 | (740) | | |

Details of re-statement are illustrated in note 29.

Shared Regulatory Service Expenditure and Funding Analysis 2018/19

| Expenditure and Funding Analysis 2018/19 | Net Expenditure Chargeable to General Fund Balances £'000 | Adjustments Line £'000 | Comprehensive Income and Expenditure £'000 |
|---|---|------------------------------|---|
| Staff Costs | 6,881 | 854 | 7,735 |
| IAS 19 Adjustment | 1,054 | | 1,054 |
| Premises | 53 | | 53 |
| Transport | 167 | 5 | 172 |
| Supplies & Services | 759 | 199 | 958 |
| Third Party Payments | 28 | | 28 |
| Capital Expenditure (from) Revenue Account | 138 | (138) | 0 |
| Amortisation | 23 | | 23 |
| Depreciation | 24 | | 24 |
| Grant Income | (692) | | (692) |
| Fees and Charges | (204) | 6 | (198) |
| Net Cost of Services | 8,231 | 926 | 9,157 |
| <u>Financing and Investment Income and Expenditure</u> | | | |
| Contributions from Local Authorities | (8,727) | | (8,727) |
| Interest Receivable | | (6) | (6) |
| Repayment of Underspend | 346 | | 346 |
| Pensions Interest Payable | | 270 | 270 |
| (Surplus) or Deficit on the Provision of Services | (150) | 1,190 | 1,040 |
| Opening General Fund Balance at 31 March 2018 | (740) | | |
| Less Surplus on General Fund Balance in Year | (150) | | |
| Closing General Fund Balance at 31 March 2019 | (890) | | |

SRS Movement in Reserves Statement 2017/18 and 2018/19

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 | | Shared Regulatory Service | | | | | | |
|--|--------------|---------------------------|--------------------------|--------------------------------------|---------------------------|-------------------------------------|----------------------------------|-------------------------|
| | | Notes | 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 2017 Carried Forward | | | (530) | 141 | 11,160 | (194) | 11,107 | 10,577 |
| Movement in Reserves during 2017/18 | | | | | | | | |
| Total Comprehensive Income & Expenditure | | | 552 | 0 | (860) | 0 | (860) | (308) |
| Adjustments between Accounting Basis & Funding Basis | 13 | (762) | 50 | 690 | 22 | 762 | 0 | |
| Increase / Decrease in Year | 24,25 | (210) | 50 | (170) | 22 | (98) | (308) | |
| Balance as at 31st March 2018 Carried Forward | | | (740) | 191 | 10,990 | (172) | 11,009 | 10,269 |
| Movement in Reserves during 2018/19 | | | | | | | | |
| Total Comprehensive Income & Expenditure | | | 1,040 | 0 | (380) | 0 | (380) | 660 |
| Adjustments between Accounting Basis & Funding Basis | 13 | (1,190) | (43) | 1,324 | (91) | 1,190 | 0 | |
| Increase / Decrease in Year | 24,25 | (150) | (43) | 944 | (91) | 810 | 660 | |
| Balance as at 31st March 2019 Carried Forward | | | (890) | 148 | 11,934 | (263) | 11,819 | 10,929 |

SRS Comprehensive Income and Expenditure Statement 2018/19

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

| Re-stated Period Ended 31st March 2018 £000's | | Notes | Period Ended 31st March 2019 £000's |
|---|---|-------|--|
| 7,929 | Staff Costs | 6 | 7,735 |
| 420 | IAS 19 Adjustment | 6 | 1,054 |
| 50 | Premises | 7 | 53 |
| 181 | Transport | 8 | 172 |
| 924 | Supplies & Services | 9 | 958 |
| 28 | Third Party Payments | 10 | 28 |
| 23 | Amortisation | 15 | 23 |
| 22 | Depreciation | 14 | 24 |
| 9,577 | Operating Expenditure | | 10,047 |
| (658) | Grant Income | 11 | (692) |
| (127) | Fees and Charges | 11 | (198) |
| (785) | Operating Income | | (890) |
| 8,792 | Net Cost of Services | | 9,157 |
| | <u>Finance & Investment Income and Expenditure</u> | | |
| (8,683) | Contributions from Local Authorities | | (8,727) |
| 0 | Interest Receivable | | (6) |
| 173 | Repayment of Underspend | | 346 |
| 270 | Pensions Interest Payable | | 270 |
| (8,240) | Financing & Investment Income & Expenditure | | (8,117) |
| 552 | (Surplus) / Deficit on Provision of Services | | 1,040 |
| | <u>Other Comprehensive Income & Expenditure</u> | | |
| (860) | Re-measurement of Pension Liability | | (380) |
| (860) | Other Comprehensive Income & Expenditure | | (380) |
| (308) | Total Comprehensive Income & Expenditure | | 660 |

Details of re-statement are illustrated in note 29.

SRS Balance Sheet as at 31st March 2019

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 SRS (Assets less Liabilities) are matched by the reserves held by the SRS. Reserves are reported in two categories: Usable and Unusable Reserves.

| 31st March 2018 £'000 | Balance Sheet as at 31st March 2019 Shared Regulatory Service | Notes | 31st March 2019 £'000 |
|--------------------------------------|--|--------------|--------------------------------------|
| | Long Term Non-Current Assets | | |
| 96 | Property, Plant and Equipment | 14 | 210 |
| 76 | Intangible Assets | 15 | 53 |
| 172 | Total Non-Current Assets | | 263 |
| 286 | Short Term Debtors | | 85 |
| 849 | Short Term Debtors Cash Owing from Host Authority | | 1,388 |
| 1,135 | Current Assets | 19 | 1,473 |
| (173) | Short Term Creditors | | (390) |
| (191) | Short Term Creditors - Accumulated Absence Provision | | (148) |
| (364) | Current Liabilities | 20 | (538) |
| (10,990) | Pensions Liability | | (11,934) |
| (222) | Other Long Term Liabilities | | (193) |
| (11,212) | Long Term Liabilities | | (12,127) |
| (10,269) | Net Assets | | (10,929) |
| (740) | Usable Reserves | 24 | (890) |
| 191 | Accumulated Absences | 25 | 148 |
| (172) | Capital Adjustment Account | 25 | (263) |
| 10,990 | Pensions Reserve | 25 | 11,934 |
| 11,009 | Unusable Reserves | | 11,819 |
| 10,269 | Total Reserves | | 10,929 |

SRS Cash Flow Statement 2017/18 and 2018/19

The Cash Flow Statement shows the change in cash and cash equivalents of the SRS during the reporting period. The statement shows how the SRS generates and uses cash and cash equivalents by classifying cash flows into operating and investing and financing activities. Further information is included on page 45 of this report.

| 31st March 2018 £'000 | | Notes | 31st March 2019 £'000 |
|-----------------------------|--|-------|-----------------------------|
| (552) | Net Surplus/(Deficit) on the provision of service | 23 | (1,040) |
| 967 | Adjust net surplus or deficit on the provision of services for non-cash movements | 21 | 1,717 |
| 0 | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | 0 |
| 415 | Net Cash-flows from operating activities | | 677 |
| (23) | Investing activities | 22 | (138) |
| 0 | Financing activities | | 0 |
| 392 | Net (increase)/decrease in cash and cash Equivalents | | 539 |
| 457 | Cash and cash equivalents at the beginning of the reporting period | | 849 |
| 849 | Cash owed To/(From) Host Authority as at 31st March | | 1,388 |

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 2018/19, and the Service Reporting Code of Practice for Local Authorities 2018/19 (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 change 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 Sheet 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 of

- 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 pension's 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 2018/19.

11. Overheads and Support Services

An adjustment has been included to remove the cost of SRS Overheads and Support services recharged within the Comprehensive Income and Expenditure Statement. These costs now sit with the relevant groupings within the statements concerned.

12. Inventories

The Shared Regulatory Service did not hold any inventory as at 31st March 2019.

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 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 2019.

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 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for Local Government to 1st April 2020.
- **IAS 40 Investment Property:** Transfers of investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the SRS as it holds no assets of this nature.
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The SRS does not have any material transactions within the scope of the amendment.
- **IFRIC 23 uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.

It is not expected that these amendments will have a material impact on the information provided within the 2017/18 and 2018/19 financial statements and transitional reporting arrangements, mean that the restatement of the accounts will not be required.

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 2019. 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

The 2018/19 Code of Practice in Local Authority Accounting in the UK explicitly prohibits transactions between segments from being presented in the Comprehensive Income and Expenditure Statement.

Therefore, the recharged Shared Regulatory Services management costs have been disaggregated out of the Central Departmental and Managerial Support line of the Comprehensive Income and Expenditure Statement relating to 2017/18, with the relevant statements being restated.

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 2019 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 are no debts held by the Shared Regulatory Service of over a year old as at the 31st March 2019, therefore, no provision has been made in the accounts for doubtful debts as it considered that all debts are 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.

| Restated 31st March 2018 £000's | | 31st March 2019 £000's |
|--|--------------------------|------------------------------|
| 7,736 | Direct Employee Costs | 7,584 |
| 61 | Agency | 87 |
| 30 | Employee Insurance Costs | 30 |
| 28 | Apprenticeship Levy | 27 |
| 21 | Indirect Staff Costs | 26 |
| 3 | Employee Redundancy | 24 |
| 50 | Accumulated Absences | (43) |
| 7,929 | Sub Total | 7,735 |
| 420 | IAS 19 | 1,054 |
| 8,349 | | 8,789 |

Details of re-statement are illustrated in note 29.

The 2018/19 management and administration costs were initially captured within the Central Department Support element of the Comprehensive Income and Expenditure Statement. However, as a result of guidance provided within the 2018/19 Code of Practice on Local Authority Accounting in the UK, the 2018/19 management and administration costs have been disaggregated out to reflect where the expenditure should be shown.

As an unanticipated consequence of the Service re-positioning itself to achieve the 2019/20 agreed savings target, a number of officers departed the service who were not at risk, in addition to those posts that were earmarked.

The Service continues to have ongoing issues in attracting suitable cover within particular disciplines, plus a shortage of appropriate agency cover being available. The instances of maternity leave incurred by the Service, is higher than the Host's corporate average of 2.67%, which have left temporary gaps in the structure. These factors have contributed to the Direct Employee Costs reducing in 2018/19.

7. Premises Costs

The following table analysis the Premises expenditure.

| 31st March 2018 £000's | Premises Costs | 31st March 2019 £000's |
|------------------------------|-------------------------|------------------------------|
| 48 | Rents | 48 |
| 2 | Repairs and Maintenance | 3 |
| 0 | Electrical | 1 |
| 0 | Premises Running Costs | 1 |
| 50 | | 53 |

The Cardiff Taxi Licensing Unit has terminated the lease held in respect of privately rented offices at Sloper Road, Cardiff part way through the year, with the Unit now occupying a suite of offices at City Hall, Cardiff. This will result in a reduction in rental costs in future periods.

8. Transport

The following table analyses the Transport expenditure for the year.

| Restated 31st March 2018 £000's | Transport | 31st March 2019 £000's |
|--|--------------------|---------------------------------------|
| 71 | Vehicle Costs | 62 |
| 57 | Travel Expenses | 58 |
| 37 | Hire of Transport | 30 |
| 16 | Vehicle Insurances | 22 |
| 181 | | 172 |

Details of the re-statement are illustrated in note 29.

As a result of guidance provided for within the 2018/19 Code of Practice on Local Authority Accounting in the UK, the 2018/19 management and administration costs have been disaggregated out to reflect where the expenditure should be shown, with the 2017/18 position being restated.

The Service replaced vehicles that were identified as being towards the end of their economic life in both 2017/18 and 2018/19. This has contributed to a reduction in the running costs. It is anticipated that the vehicles will also contribute to air quality standards through lower emissions. Where appropriate, hybrid vehicles have been purchased.

9. Supplies & Services

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

| Restated Period Ended 31st March 2018 £000's | | Period Ended 31st March 2019 £000's |
|--|---|--|
| 243 | Office Expenses | 248 |
| 184 | Delivery of Services | 154 |
| 117 | IT Costs | 117 |
| 61 | Taxi Plates & Disclosure & Barring Service | 91 |
| 26 | Legal Fees | 61 |
| 65 | Training/Education | 58 |
| 47 | Promotional, Publicity & Hospitality Expenses | 58 |
| 76 | Analysis Fees | 52 |
| 57 | Equipment Purchase | 43 |
| 36 | Consultants & Expert Fees | 37 |
| 0 | External Grants Awarded | 27 |
| 12 | Audit Fees | 12 |
| 924 | | 958 |

Details of the re-statement are illustrated in note 29.

The 2017/18 Supplies and Services position has been restated to reflect guidance provided for within the Code of Practice on Local Authority Accounting in the UK, in respect of the treatment of transactions between segments.

Guidance issued by the Foods Standards Agency has resulted in a greater number of cases incurring legal costs. Additionally, both the number and type of investigation undertaken by both the Trading Standards section and the Illegal Money Lending Unit are not constant, which result in a disparity between the years.

Sale of the 3 year Taxi Licenses were renewed in 2018/19, which increases the Disclosure and Barring Costs incurred in the year. However, this cost is recharged out to the customer, so will have offsetting income within the accounts of the Partner Authorities.

10. Third Party Costs

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

| 31st March 2018 £000's | Third Party Payments | 31st March 2019 £000's |
|------------------------------|----------------------|------------------------------|
| 17 | Kennelling Costs | 28 |
| 11 | Creation of SRS Hub | 0 |
| 28 | | 28 |

11. Income

The following table analyses the income generated in the year.

| 31st March 2018 £000's | Income | 31st March 2019 £000's |
|------------------------------|---------------------------------|------------------------------|
| | Grant Income | |
| (624) | Illegal Money Lending Grant | (675) |
| (34) | Food Standards Agency Grant | (10) |
| 0 | Rentsmart Grant | (7) |
| (658) | Total Grant Income | (692) |
| | Fees & Charges | |
| (23) | Other Rechargeable Works | (78) |
| (83) | POCA Funds | 0 |
| 0 | Compensation | (47) |
| (7) | WG Special Procedures Project | (40) |
| (14) | Primary Authority Income | (33) |
| (127) | Total Fees & Charges | (198) |
| (785) | Total Income | (890) |

12. Notes to the Expenditure and Funding Analysis

| Notes to the Expenditure and Funding Analysis 2017/18 | | | | | |
|---|-----------------------------------|---|--|------------------------------------|------------------------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts | | | | | |
| | Line Adjustments £'000 | Adjustments for Capital Purposes £'000 | Net Change for Pensions Adjustments £'000 | Other Differences £'000 | Total Adjustments £'000 |
| Staff Costs | 931 | 0 | 0 | 0 | 931 |
| IAS 19 Adjustment | 0 | 0 | 0 | 0 | 0 |
| Premises | 0 | 0 | 0 | 0 | 0 |
| Transport | 5 | 0 | 0 | 0 | 5 |
| Supplies & Services | (1,111) | 45 | 690 | 50 | (326) |
| Third Party Payments | 0 | 0 | 0 | 0 | 0 |
| Capital Charges | 0 | (23) | 0 | 0 | (23) |
| Depreciation | 0 | 0 | 0 | 0 | 0 |
| Amortisation | 0 | 0 | 0 | 0 | 0 |
| Grant Income | 0 | 0 | 0 | 0 | 0 |
| Fees and Charges | 0 | 0 | 0 | 0 | 0 |
| Net Cost of Services | (175) | 22 | 690 | 50 | 587 |
| Contributions from LAs | (95) | 0 | 0 | 0 | (95) |
| Pensions Interest Payable | 270 | 0 | 0 | 0 | 270 |
| Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit | 0 | 22 | 690 | 50 | 762 |

| Notes to the Expenditure and Funding Analysis 2018/19 | | | | | |
|---|-----------------------------------|---|--|------------------------------------|------------------------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts | | | | | |
| | Line Adjustments £'000 | Adjustments for Capital Purposes £'000 | Net Change for Pensions Adjustments £,000 | Other Differences £'000 | Total Adjustments £'000 |
| Staff Costs | 854 | 0 | 0 | 0 | 854 |
| IAS 19 Adjustment | 0 | 0 | 0 | 0 | 0 |
| Premises | 0 | 0 | 0 | 0 | 0 |
| Transport | 5 | 0 | 0 | 0 | 5 |
| Supplies & Services | (1,129) | 47 | 1,324 | (43) | 199 |
| Third Party Payments | 0 | 0 | 0 | 0 | 0 |
| Capital Charges | 0 | (138) | 0 | 0 | (138) |
| Depreciation | 0 | 0 | 0 | 0 | 0 |
| Amortisation | 0 | 0 | 0 | 0 | 0 |
| Grant Income | 0 | 0 | 0 | 0 | 0 |
| Fees and Charges | 6 | 0 | 0 | 0 | 6 |
| Net Cost of Services | (264) | (91) | 1,324 | (43) | 926 |
| Contributions from LAs | 0 | 0 | 0 | 0 | 0 |
| Interest Receivable | (6) | 0 | 0 | 0 | (6) |
| Pensions Interest Payable | 270 | 0 | 0 | 0 | 270 |
| Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit | 0 | (91) | 1,324 | (43) | 1,190 |

Adjustments for Capital Purposes

- Depreciation/ impairment and revaluation gains and losses are added in.
- Adjustments for disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Net Change for the Pensions Adjustments

This adjustment relates to the removal of pension contributions and the addition of IAS19 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.

Other Differences

- Adjustments are made for accumulated absences.

13. Adjustments Between Accounting Basis and Funding Basis Analysis

| 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 | Total 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 |

Details of the re-statement are illustrated in note 29.

| Adjustments Between Accounting Basis and Funding Basis Under Regulations 2018/19 | | | | | |
|---|----------------------------------|--|-----------------------------------|---|------------------------------------|
| Shared Regulatory Service | Usable Reserves £'000 | Accumulated Absence Account £'000 | Pensions Reserve £'000 | Capital Adjustment Account £'000 | Unusable Reserves £'000 |
| Holiday Pay | 43 | (43) | 0 | 0 | (43) |
| Reversal of Items Relating to retirement benefits debited or credited to the CIES | 1,030 | 0 | (1,030) | 0 | (1,030) |
| Employers pension contributions and direct payments to pensions payable in year | (2,354) | 0 | 2,354 | 0 | 2,354 |
| Capital Expenditure financed from Revenue Balances | 138 | 0 | 0 | (138) | (138) |
| Charges for Depreciation/Impairment of Non-Current Assets | (47) | 0 | 0 | 47 | 47 |
| | (1,190) | (43) | 1,324 | (91) | 1,190 |

14. Property, Plant & Equipment

| | Vehicles £'000 | Equipment £'000 | Total £'000 |
|--|-------------------|--------------------|----------------|
| Cost or Valuation as at 1 April 2018 | 59 | 62 | 121 |
| Additions | 138 | 0 | 138 |
| Cost or Valuation as at 31 March 2019 | 197 | 62 | 259 |
| Accumulated depreciation and impairment as at 1 April 2018 | (9) | (16) | (25) |
| Depreciation charge | (12) | (12) | (24) |
| Accumulated Depreciation and Impairment as at 31 March 2019 | (21) | (28) | (49) |

| Net Book Value | Vehicles £'000 | Equipment £'000 | Total £'000 |
|-------------------------|-------------------|--------------------|----------------|
| At 31 March 2018 | 50 | 46 | 96 |
| At 31 March 2019 | 176 | 34 | 210 |

15. 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 2018/19. The movement on Intangible Asset balances during the year are as follows;

| | Purchased Assets 2017/18 £'000 | Purchased Assets 2018/19 £'000 |
|---|--------------------------------------|--------------------------------------|
| Balance at start of year | | |
| Gross carrying amounts | 117 | 117 |
| Accumulated Amortisation | (18) | (41) |
| Net carrying amount at start of year | 99 | 76 |
| Additions | 0 | 0 |
| Purchases | 0 | 0 |
| Amortisation | (23) | (23) |
| Other Disposals | 0 | 0 |
| Amortisation written off on disposal | 0 | 0 |
| Net carrying amount at end of year | 76 | 53 |
| Comprising | | |
| Gross carrying amounts | 117 | 117 |
| Accumulated Amortisation | (41) | (64) |
| Net carrying amount at end of year | 76 | 53 |

16. 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 2019, the Joint Committee is owed £1.388m from the Council relating to these transactions.

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

| 2017/18 | | | 2018/19 | |
|----------------------|-----------------|-----------------------------|----------------------|-----------------|
| Expenditure £'000 | Income £'000 | | Expenditure £'000 | Income £'000 |
| 1,693 | (1,834) | Bridgend CBC | 1,858 | (2,030) |
| 5,732 | (5,838) | The City of Cardiff Council | 5,447 | (5,636) |
| 1,742 | (1,840) | Vale of Glamorgan | 1,847 | (1,982) |
| 9,167 | (9,512) | Total | 9,152 | (9,648) |

Details of the re-statement are illustrated in note 29.

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 19 and 20.

| 2017/18 Re-stated | | | 2018/19 | |
|----------------------|-----------------|-----------------------------|----------------------|-----------------|
| Expenditure £'000 | Income £'000 | | Expenditure £'000 | Income £'000 |
| 32 | (1,769) | Bridgend CBC | 31 | (1,787) |
| 228 | (5,039) | The City of Cardiff Council | 211 | (5,116) |
| 56 | (1,780) | Vale of Glamorgan Council | 190 | (1,777) |
| 316 | (8,588) | Total | 432 | (8,680) |

Details of the re-statement are illustrated in note 29.

Welsh Government effect influence on the SRS via legislation and grant funding. As at 31st March 2019 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.

17. Audit Fees

| 2017/18 £'000 | | 2018/19 £'000 |
|------------------|-------------------------|------------------|
| 12 | Wales Audit Office Fees | 12 |
| 12 | Total | 12 |

18. Leases

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

19. Debtors

| 2017/18 £'000 | | 2018/19 £'000 |
|------------------|--|------------------|
| 29 | Government Bodies | 24 |
| 0 | Bridgend County Borough Council | 3 |
| 10 | City and County of Cardiff Council | 34 |
| 4 | Other Local Authorities | 2 |
| 0 | Public Corporations | 20 |
| 848 | Vale of Glamorgan Council (Host Authority) | 1,388 |
| 244 | Other Entities and Individuals (including trade debtors) | 2 |
| 1,135 | Total | 1,473 |
| 0 | Provision for Bad Debt | 0 |
| 1,135 | Balance as at 31st March | 1,473 |

There are no Debtor balances that are in excess of a year old, therefore, no provision for Bad Debt has been made.

20. Creditors

| 2017/18 £'000 | | 2018/19 £'000 |
|------------------|--|------------------|
| 0 | Government Bodies | 18 |
| 0 | Vale of Glamorgan (Host Authority) | 0 |
| 4 | Bridgend County Borough Council | 7 |
| 91 | City And County of Cardiff Council | 87 |
| 0 | Other Local Authorities | 2 |
| 0 | Public Corporations | 60 |
| 78 | Other Entities and Individuals (including trade creditors) | 216 |
| 173 | Total | 390 |
| 191 | Employee Absences Accrual | 148 |
| 364 | Balance as at 31st March | 538 |

21. Cash Flow Statement - Operating Activities

| 2017/18 £'000 | | 2018/19 £'000 |
|------------------|---|------------------|
| 22 | Depreciation | 24 |
| 23 | Amortisation | 23 |
| 175 | Increase/ (Decrease) in Creditors | 145 |
| 56 | (Increase)/Decrease in Debtors | 201 |
| 691 | Movement on Pension Liability | 1,324 |
| 967 | Adjustments to net surplus or deficit on the provision of services for non-cash movements. | 1,717 |

22. Cash Flow Statement – Investing Activities

| 2017/18 £'000 | | 2018/19 £'000 |
|------------------|--|------------------|
| (23) | Purchase of property, plant and equipment, investment property and intangible assets | (138) |
| 0 | Other receipts from investing activities | 0 |
| (23) | Net Cash Flows from Investing Activities | (138) |

23. Expenditure and Funding Analysis by Nature

| 2017/18 £'000 | | 2018/19 £'000 |
|------------------|--|------------------|
| 8,349 | Employee Expenses | 8,789 |
| 1,183 | Other Service Expenses | 1,211 |
| 173 | Repayment of Underspend | 346 |
| 45 | Depreciation, Amortisation and Impairment | 47 |
| 270 | Interest on net defined benefit liability/ (asset) | 270 |
| 10,020 | Total Expenditure | 10,663 |
| (785) | Fees Charges & Grant Income | (890) |
| 0 | Interest Receivable | (6) |
| (8,683) | Local Authority Contributions | (8,727) |
| (9,468) | Total Income | (9,623) |
| 552 | (Surplus)/ Deficit on the Provision of Services | 1,040 |

Details of the re-statement are illustrated in note 29.

24. 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 |
| Balance as at 1st April 2018 | 684 | 56 | 740 |
| Other Operating Expenditure | (346) | 0 | (346) |
| 2018/19 Provisional Underspend | 496 | 0 | 496 |
| Balance as at 31st March 2019 | 834 | 56 | 890 |

25. 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 2018 | (10,990) | (191) | 172 | (11,009) |
| Balance as at 1st April 2018 | (10,990) | (191) | 172 | (11,009) |
| Increase/(Decrease) | (944) | 43 | 91 | (810) |
| Balance as at 31st March 2019 | (11,934) | (148) | 263 | (11,819) |

Pension Reserve

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

| 2017/18 £'000 | Pensions Reserve | 2018/19 £'000 |
|------------------|--|------------------|
| (11,160) | Balance as at the 1st April | (10,990) |
| 860 | Re-measurements of net defined liability/(asset) | 380 |
| | Reversal of items relating to retirement benefits debited of credited | |
| 970 | To the Surplus or Deficit on the Provision of Services in the CIES | 1,030 |
| (1,660) | Employers pension contribution and direct payments to pensioners payable in the year | (2,354) |
| (10,990) | Balance as at the 31st March | (11,934) |

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.

| 2017/18 £'000 | Accumulated Absences Account | 2018/19 £'000 |
|------------------|--|------------------|
| (141) | Balance as at 1st April | (191) |
| (191) | Amounts accrued at the end of the current year | (148) |
| 141 | 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. | 191 |
| (191) | Balance as at 31st March | (148) |

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.

| 2017/18 £'000 | Capital Adjustment Account | 2018/19 £'000 |
|------------------|---|------------------|
| 194 | Balance as at 1st April | 172 |
| (22) | Charges for depreciation of non-current assets | (24) |
| (23) | Amortisation of intangible assets | (23) |
| 23 | Capital Expenditure charged against the Joint Committee Balance | 138 |
| 172 | Balance as at 31st March | 263 |

26. 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.

In December 2018, the Court of Appeal ruled against the Government, holding that changes made to pension schemes discriminated against a group of firefighters and judged on the grounds of age. It is expected that the judgement will have an impact on other public sector groups who have seen similar changes to their pension schemes, including the LGPS.

At the time of preparing the accounts, the Government intended to appeal the decision, and therefore a Contingent Liability was included in the accounts. On the 27th June 2019, the Supreme Court denied the Government's application for leave to appeal the decision, and following the decision it was determined that it would be prudent to increase liabilities as a result of this decision. The Pension Fund Liability has been

increased by £634K to reflect the estimated impact of the McCloud judgement based on the assumptions made in a review carried out by the Government Actuaries Department (GAD).

The Employer's regular contributions to the Fund for accounting period ended 31st March 2020 are estimated to be £1.34M.

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 2018 % per annum | 31st March 2019 % per annum |
|---|--|--|
| Discount Rate | 2.60% | 2.50% |
| Rate of Increase to Pensions in Payment | 2.00% | 2.10% |
| Rate of Increase to Deferred Pensions | 2.00% | 2.10% |
| Rate of Increase in Salaries | 3.00% | 3.10% |

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 2018 | 31st March 2019 |
|-----------------------------------|------------------------|------------------------|
| Males | | |
| Member Aged 65 at Accounting Date | 23.1 | 22.4 |
| Member Aged 45 at Accounting Date | 24.2 | 23.0 |
| Females | | |
| Member Aged 65 at Accounting Date | 25.8 | 24.8 |
| Member Aged 45 at Accounting Date | 27.2 | 25.9 |

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 2018 | Asset Split as at 31st March 2019 |
|------------------|--------------------------------------|--------------------------------------|
| Equities | 66.50% | 63.70% |
| Property | 6.30% | 7.70% |
| Government Bonds | 15.40% | 10.70% |
| Corporate Bonds | 10.40% | 11.00% |
| Cash | 1.40% | 1.50% |
| Other | 0.00% | 5.40% |
| Total | 100.00% | 100.00% |

Reconciliation of Funded Status to Balance Sheet

| | Value at 31st March 2018 £M | Value at 31st March 2019 £M |
|--|-----------------------------------|-----------------------------------|
| Fair Value of Assets | 16.930 | 19.530 |
| Present Value of Funded Defined Benefit Obligation | (27.920) | (30.830) |
| Funded Status | (10.990) | (11.300) |
| Unrecognised Asset | 0 | 0 |
| (Liability) Recognised on the Balance Sheet | (10.990) | (11.300) |

The above figure has been increased on the Balance Sheet as at the 31st March 2019, to recognise the estimated increase in liability as a result of the McCloud judgement, which is calculated to be £634k.

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 2018 | Period Ended 31st March 2019 |
|--|---------------------------------|---------------------------------|
| Operating Cost | £M | £M |
| Current Service Cost | 1.66 | 1.72 |
| Past Service Cost (including curtailments) | 0.00 | 0.00 |
| Settlement Cost | 0.00 | 0.00 |
| Financing Cost | | |
| Interest on Net Defined Benefit Liability/(Asset) | 0.27 | 0.27 |
| Pension Expense Recognised in Surplus or Deficit | 1.93 | 1.99 |
| Re-measurements in Other Comprehensive Income | | |
| Return on Plan Assets (in excess of)/below that recognised in Net Interest | (0.10) | (0.75) |
| Actuarial (Gains)/Losses due to Changes in Financial Assumptions | (0.77) | 1.69 |
| Actuarial (Gains)/Losses due to Changes in Demographic Assumptions | 0.00 | (1.32) |
| Actuarial (Gains)/Losses due to Liability Experience | 0.01 | 0.00 |
| Total Amount Recognised in Other Comprehensive Income | (0.86) | (0.38) |
| Total Amount Recognised in Comprehensive Income & Expenditure | 1.07 | 1.61 |

The current service costs included an allowance for the administration expenses of £0.02M at 31st March 2019.

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

| | Period Ended 31st March 2018 £M | Period Ended 31st March 2019 £M |
|--|---------------------------------------|---------------------------------------|
| Opening Defined Benefit Obligation | 26.11 | 27.92 |
| Current Service Cost | 1.66 | 1.72 |
| Interest Expense on Defined Benefit Obligation | 0.66 | 0.73 |
| Contribution by Participants | 0.38 | 0.36 |
| Actuarial (Gains)/Losses due to Changes in Financial Assumptions | (0.77) | 1.69 |
| Actuarial (Gains)/Losses due to Changes in Demographic Assumptions | 0.00 | (1.32) |
| Actuarial (Gains)/Losses due to Liability Experience | 0.01 | 0.00 |
| Net Benefits Paid Out | (0.13) | (0.27) |
| 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 | 27.92 | 30.83 |

Changes to the Fair Value of Assets During the Accounting Period

| | Period Ended 31st March 2018 £M | Period Ended 31st March 2019 £M |
|--|---------------------------------------|---------------------------------------|
| Opening Fair Value of Assets | 14.95 | 16.93 |
| Interest Income on Assets | 0.39 | 0.46 |
| Re-measurements Gains/(Losses) on Assets | 0.10 | 0.75 |
| Contributions by the Employer | 1.24 | 1.30 |
| Contribution by the Participant | 0.38 | 0.36 |
| Net Benefits Paid out | (0.13) | (0.27) |
| Net increase in Assets from Disposals/Acquisitions | 0.00 | 0.00 |
| Settlements | 0.00 | 0.00 |
| Closing Fair Value of Assets | 16.93 | 19.53 |

Actual Return on Assets

| | Period Ended 31st March 2018 £M | Period Ended 31st March 2019 £M |
|--|---------------------------------------|---------------------------------------|
| Interest Income on Assets | 0.39 | 0.46 |
| Re-measurements Gains/(Losses) on Assets | 0.10 | 0.75 |
| Actual Return on Assets | 0.49 | 1.21 |

Sensitivity Analysis

Discount Rate Assumption

| Adjustment to Discount Rate | +0.1% p.a. | Base Figure | -0.1% p.a. |
|--|-------------------|--------------------|-------------------|
| Present Value of Obligation (£M) | 29.96 | 30.83 | 31.73 |
| % Change in Present Value of Total Obligation | (2.8%) | | 2.9% |
| Projected Service Cost (£M) | 1.72 | 1.78 | 1.84 |
| Approximate % Change in Projected Service Cost | (3.4%) | | 3.5% |

Rate of General Increase in Salaries

| Adjustment to Salary Increase Rate | +0.1% p.a. | Base Figure | -0.1% p.a. |
|--|-------------------|--------------------|-------------------|
| Present Value of Total Obligation (£M) | 31.24 | 30.83 | 30.43 |
| % Change in Present Value of Total Obligation | 1.3% | | (1.3%) |
| Projected Service Cost (£M) | 1.78 | 1.78 | 1.78 |
| 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 Pension Increase Rate | +0.1% p.a. | Base Figure | -0.1% p.a. |
|--|-------------------|--------------------|-------------------|
| Present Value of Total Obligation (£M) | 31.31 | 30.83 | 30.36 |
| % Change in Present Value of Total Obligation | 1.6% | | (1.5%) |
| Projected Service Cost (£M) | 1.84 | 1.78 | 1.72 |
| Approximate % Change in Projected Service Cost | 3.5% | | (3.4%) |

Post Retirement Mortality Assumption

| Adjustment to Mortality Age Rating Assumption | - 1 year | Base Figure | + 1 year |
|--|-----------------|--------------------|-----------------|
| Present Value of Total Obligation (£M) | 31.80 | 30.83 | 29.87 |
| % Change in Present Value of Total Obligation | 3.2% | | (3.1%) |
| Projected Service Cost (£M) | 1.85 | 1.78 | 1.71 |
| Approximate % Change in Projected Service Cost | 3.8% | | (3.8%) |

- 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.

27. 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 | 2017/18 No of Employees | 2018/19 No of Employees |
|--------------------|----------------------------|----------------------------|
| £60,000 - £64,999 | 0 | 0 |
| £65,000 - £69,999 | 0 | 0 |
| £70,000 - £74,999 | 1 | 0 |
| £75,000 - £79,999 | 0 | 1 |
| £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 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 |

| Exit Packages 2018/19 | | | |
|--|-------------------------------------|---|---|
| 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 | 3 | 3 | 23,959 |
| £20,001 - £40,000 | 0 | 0 | 0 |
| £40,001 - £60,000 | 0 | 0 | 0 |
| £60,001 - £140,000 | 0 | 0 | 0 |
| Total | 3 | 3 | 23,959 |

28. Interest

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

| | 2017/18 £ | % | 2018/19 £ | % |
|--|----------------------|----------|----------------------|----------|
| Interest (Charged)/Received on the SRS Account Balance | (157.87) | 0.34% | £6,201.65 | 0.3% |

29. Prior Period Adjustment

During 2018/19, Cipfa issued guidance advising Authorities that the Code now prohibits transactions between sections from being presented in the Comprehensive Income and Expenditure Statement. It advises that the transactions should be eliminated in the middle column of the Expenditure and Funding Analysis. To comply with this change to the CIPFA Code, the Comprehensive Income and Expenditure Statement and the adjustments shown in the Expenditure and Funding analysis note have been re-instated for 2017/18. The original adjusted and re-stated figures are set out in the table below.

| | Audited Comprehensive Income and Expenditure Statement 2017/18 | Adjustments to eliminate internal transactions | Re-stated Comprehensive Income and Expenditure Statement 2017/18 |
|---|---|---|---|
| Staff Costs | 6,998 | 931 | 7,929 |
| IAS 19 Adjustment | 420 | 0 | 420 |
| Premises | 50 | 0 | 50 |
| Transport | 176 | 5 | 181 |
| Supplies & Services | 1,765 | (841) | 924 |
| Third Party Payments | 28 | 0 | 28 |
| Amortisation | 23 | 0 | 23 |
| Depreciation | 22 | 0 | 22 |
| Operating Expenditure | 9,482 | 95 | 9,577 |
| Grant Income | (658) | 0 | (658) |
| Fees and Charges | (127) | 0 | (127) |
| Operating Income | (785) | 0 | (785) |
| Net Cost of Services | 8,697 | 95 | 8,792 |
| Contributions from LA | (8,588) | (95) | (8,683) |
| Repayment of Underspend | 173 | 0 | 173 |
| Pensions Interest Payable | 270 | 0 | 270 |
| Financing & Investment | (8,145) | (95) | (8,240) |
| Re-measurement of Pension Liability | (860) | 0 | (860) |
| Total Comprehensive Income & Expenditure | (308) | 0 | (308) |

30. Comprehensive Income and Expenditure by Service

The table below sets out the net cost of services from the Comprehensive Income and Expenditure Statement, presented in a format consistent with the internal management reporting structure.

| Gross Exp £'000 | Gross Income £'000 | Net Expt. £'000 | Expenditure on Services | Gross Expt. £'000 | Gross Income £'000 | Net £'000 |
|--------------------|-----------------------|--------------------|--|----------------------|-----------------------|----------------|
| 1,615 | 0 | 1,615 | Authority Specific – Licensing | 1,608 | 0 | 1,608 |
| 1,470 | (636) | 834 | Authority Specific – Other | 872 | 0 | 872 |
| 1,789 | (109) | 1,680 | Trading Standards | 2,730 | (807) | 1,923 |
| 1,463 | (2) | 1,461 | Food Services | 1,454 | 0 | 1,454 |
| 960 | 0 | 960 | Pollution | 966 | 0 | 966 |
| 893 | 0 | 893 | Housing Services | 919 | (10) | 909 |
| 640 | (12) | 628 | Health & Safety and Communicable Disease | 677 | (45) | 632 |
| 410 | (23) | 387 | Animal Welfare Services | 437 | (10) | 427 |
| 337 | (3) | 334 | Environmental Services | 384 | (18) | 366 |
| 9,577 | (785) | 8,792 | Cost of Services | 10,047 | (890) | 9,157 |
| | | | Finance & Investment Income & Expenditure | | | |
| | | (8,683) | Contributions from Local Authorities | | | (8,727) |
| | | 0 | Interest Receivable | | | (6) |
| | | 173 | Repayment of Underspend | | | 346 |
| | | 270 | Pensions Interest Payable | | | 270 |
| | | (8,240) | Financing & Investment Income & Expenditure | | | (8,117) |
| | | 552 | (Surplus)/Deficit on Provision of Services | | | 1,040 |
| | | | <u>Other Comprehensive Income & Expenditure</u> | | | |
| | | (860) | Re-measurement of Pension Liability | | | (380) |
| | | (860) | Other Comprehensive Income & Expenditure | | | (380) |
| | | (308) | Total Comprehensive Income & Expenditure | | | 660 |

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 2018/19

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 2018 to 31st March 2019.

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 2018 to 31st March 2019 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)
- Group Manager legal and Democratic 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 2018-19 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 2018/19 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 2018/19, 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 2019 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 2018/19 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 2018/19 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 2018/19, which will be presented to the Joint Committee in June 2019.

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 2018/19.

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:

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



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Shared Regulatory Services Joint Committee**

Audit year: 2018-19

Date issued: August 2019

Document reference: **1454A2019-20**



This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding

disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

Summary report

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Shared Regulatory Services Joint Committee (the Joint Committee) at 31 March 2019 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative level at which we judge such misstatements to be material for the Joint Committee is £195,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Joint Committee, for 2018-19, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2019 by the 15 June 2019, in accordance with the statutory deadline. Although we have completed the majority of our audit work at the time of drafting this report, we have yet to complete our final review and audit the additional disclosure note in respect of the presentation of the net cost of services. We will update the Joint Committee at its meeting scheduled for 10 September 2019.
- 7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the appropriate officers at the Vale of Glamorgan Council.

Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

10 There are no uncorrected misstatements.

Corrected misstatements

11 There are misstatements that have been corrected by management, and these are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** The information to support the financial statements was relevant, reliable, and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work.
- **There were two significant matters discussed and corresponded upon with management which we need to report to you.**

Additional pension liability

In December 2018, the Court of Appeal ruled against the Government, holding the changes made to pension schemes discriminated against a group of public officers on the grounds of age. The changes surrounded a move from a final salary to a career average basis. On 27 June 2019, the Supreme Court denied the Government's application for leave to appeal the decision. This series of events is referred to as the McCloud judgement.

This judgement impacts on many public sector pension schemes and all of these schemes have had to consider the impact of this judgement on their 2018-19 financial statement disclosures. Where the impact has been considered to be material in value, amendments to the financial statements have been made.

The cost of providing a remedy to affected employees is likely to be significant. We have concluded that the McCloud judgement gives rise to a past service cost and liability within the scope of accounting for pensions

within local authorities which should be accounted for as an increased liability where a reasonable estimate can be made.

The Committee has assessed the financial impact of this legal judgement as £0.634 million which is detailed in [Appendix 3](#) of this report. The impact on the financial statements is an increase in gross expenditure in the Comprehensive Income and Expenditure Statement and an increase in long-term liabilities in the Balance Sheet. It also impacted on a number of other notes in the financial statements but had no impact on usable reserves.

Presentation of the Net cost of Services in the Comprehensive Income and Expenditure Statement (CIES)

The CIPFA Code requires that the presentation of both Net Cost of Services within the Comprehensive Income and Expenditure Statement (CIES) and the Expenditure and Funding Analysis (EFA) is consistent with the body's internal management reporting structure, which in the Joint Committee's case is in accordance with its operational activities. However, the CIES and EFA are presented differently in the Joint Committee's accounts in a format whereby the nature and type of its income and expenditure is disclosed.

We have discussed this with management who consider this to be an appropriate format for a reader to understand the financial statements of the joint committee particularly given the size of the joint committee and the nature of services provided. Nevertheless, the joint committee has included an additional disclosure note (Note 30) within the financial statements setting out the presentation of the net cost of services consistent with its internal reporting arrangements. This is a presentational issue only and has no impact on the financial performance of the joint committee.

- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls.**
- **There is are no matters specifically required by auditing standards to be communicated to those charged with governance.**

Recommendations arising from our financial audit work

- 13 There is one recommendation arising from our financial audit work, in relation to the presentation of the net cost of services in the comprehensive income and expenditure account outlined above.
- 14 Management has responded to this matter, as set out in [Appendix 4](#), and we will follow up progress during next year's audit.

Independence and objectivity

- 15 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 16 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Joint Committee that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Audited body's letterhead

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

10 September 2019

Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements of the Shared Regulatory Services Joint Committee for the year ended 31 March 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions.

Representations by the Shared Regulatory Services Joint Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Shared Regulatory Services Joint Committee on 10 September 2019.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Officer who signs on behalf of management

Date: 10 September 2019

Signed by:

Member who signs on behalf of those charged with governance

Date: 10 September 2019

Appendix 2

Proposed audit report of the Auditor General to the Shared Regulatory Services Joint Committee

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Shared Regulatory Services Joint Committee for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

The 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 2018-19 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 2019 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 2018-19.

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 statement of accounts. The other information comprises the information included in the statement of accounts other than the financial statements and my auditors 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 2018-19; and
- 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 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:

- proper 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 set out on pages 14 to 15 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
September 2019

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made to the draft financial statements

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 1: summary of corrections made to the draft financial statements

| Value of correction | Nature of correction |
|---------------------|--|
| £634,481 | Pension Liabilities The pension fund liability was increased by £0.634 million to reflect the estimated impact of the McCloud judgement. The impact of this is that the Pension Liability and Reserve within the Balance Sheet should both be increased by £0.634 million, together with corresponding adjustments to the Comprehensive Income and Expenditure Statement and the associated disclosure notes. |
| N/A | Comprehensive Income & Expenditure Statement (CIES) - Reclassification Both the Contributions from Local Authorities to the Joint Committee of £8.727 million and the repayment of the Joint Committee's 2017/18 underspend of £346,000 to the three member authorities has been reclassified within the CIES from Operating Expenditure, within Net Cost of Services, to Financing and Investment Income & Expenditure. |
| N/A | Audit Fees (Note 18) – Reclassification £7,000 incurred by the Joint Committee regarding an external accreditation fee, has been reclassified from Note 18 to Note 9 (Supplies and Services) as the Code specifies that the Audit Fees disclosure must only relate to fees payable to the external auditor. |
| N/A | A small number of other presentational and disclosure amendments have been made to the financial statements, including an additional disclosure note (Note 30) setting out the presentation of Net Cost of Services in a format consistent with the Joint Committee's internal reporting structure. |

Appendix 4

Recommendation arising from our financial audit work

We set out the recommendation arising from our audit with management's response. We will follow this up next year and include any outstanding issues in next year's audit report:

Exhibit 2: recommendation arising from our financial audit work

| Compliance with the CIPFA Code of Practice | |
|---|---|
| Findings | The CIPFA Code requires that the presentation of both Net Cost of Services within the Comprehensive Income and Expenditure Statement (CIES) and the Expenditure and Funding Analysis (EFA) is consistent with the body's internal management reporting structure, which in the Joint Committee's case is in accordance with its operational activities. However, the CIES and EFA are presented differently in the Joint Committee's accounts in a format whereby the nature and type of its income and expenditure is disclosed. |
| Priority | High |
| Recommendation | We recommend that the Joint Committee revisit the presentation of the CIES and the EFA within the 2019-20 financial statements. |
| Accepted in full by management | Yes |
| Management response | For the 2019/20 Financial Statements the presentation of the CIES and EFA will be amended to be consistent with the Joint Committee body's internal management reporting structure. |
| Implementation date | 31 May 2020 |

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Smaller relevant local government bodies in Wales

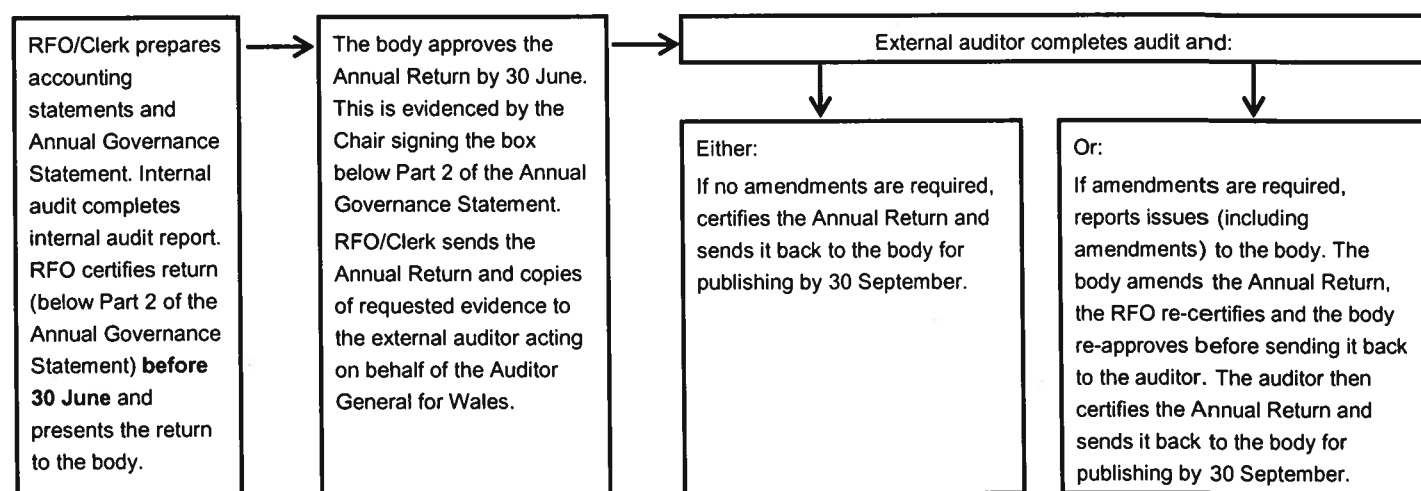
Annual Return for the Year Ended 31 March 2019

THE ACCOUNTS AND AUDIT PROCESS

Section 12 of the Public Audit (Wales) Act 2004 requires local government bodies in Wales to make up their accounts each year to 31 March and to have those accounts audited by the Auditor General for Wales. Regulation 14 of the Accounts and Audit (Wales) Regulations 2014 states that smaller local government bodies i.e. those with annual income and expenditure below £2.5 million must prepare their accounts in accordance with proper practices.

For minor joint committees with income and expenditure below £2.5 million, proper practices are set out in the One Voice Wales/Society of Local Council Clerks publication 'Governance and accountability for local councils in Wales – A Practitioners' Guide' (the Practitioners' Guide). The Practitioners' Guide requires that they prepare their accounts in the form of an annual return. This annual return meets the requirements of the Practitioners' Guide.

The accounts and audit arrangements follow the process as set out below.



Please read the guidance on completing this Annual Return and complete all sections highlighted in red including the Annual Governance Statement.

APPROVING THE ANNUAL RETURN

There are two boxes for certification and approval by the body. The second box is only required if the annual return has to be amended as a result of the audit. You should only complete the top box before sending the form to the auditor.

The committee must approve the annual return BEFORE the accounts and supporting documents are made available for public inspection under section 30 of the Public Audit (Wales) Act 2004.

The Auditor General for Wales' Audit Certificate and report is to be completed by the auditor acting on behalf of the Auditor General. It MUST NOT be completed by the Clerk/RFO, the Chair or the internal auditor.

Audited and certified returns are sent back to the body for publication and display of the accounting statements, Annual Governance Statement and the Auditor General for Wales' certificate and report.

Accounting statements 2018-19 for:

Name of body: Vale, Valleys and Cardiff Adoption Service

| | Year ending | | Notes and guidance for compilers |
|--|-------------------------|-------------------------|---|
| | 31 March 2018 (£) | 31 March 2019 (£) | |
| Statement of income and expenditure/receipts and payments | | | |
| 1. Balances brought forward | 50,279 | (12,513) | Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year. |
| 2. (+) Income from local taxation/levy | 0 | 0 | Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies. |
| 3. (+) Total other receipts | 1,335,993 | 1,542,235 | Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants. |
| 4. (-) Staff costs | (1,179,202) | (1,319,245) | Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg. termination costs. |
| 5. (-) Loan interest/capital repayments | 0 | 0 | Total expenditure or payments of capital and interest made during the year on external borrowing (if any). |
| 6. (-) Total other payments | (219,583) | (222,847) | Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5). |
| 7. (=) Balances carried forward | (12,513) | (12,370) | Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6). |
| Statement of balances | | | |
| 8. (+) Debtors and stock balances | 29,723 | 156,610 | Income and expenditure accounts only: Enter the value of debts owed to the body and stock balances held at the year-end. |
| 9. (+) Total cash and investments | 0 | 0 | All accounts: The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation. |
| 10. (-) Creditors | (42,236) | (168,980) | Income and expenditure accounts only: Enter the value of monies owed by the body (except borrowing) at the year-end. |
| 11. (=) Balances carried forward | (12,513) | (12,370) | Total balances should equal line 7 above: Enter the total of (8+9-10). |
| 12. Total fixed assets and long-term assets | 0 | 0 | The asset and investment register value of all fixed assets and any other long-term assets held as at 31 March. |
| 13. Total borrowing | 0 | 0 | The outstanding capital balance as at 31 March of all loans from third parties (including PWLB). |

Annual Governance Statement

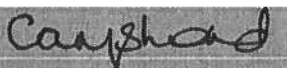

We acknowledge as the members of the Committee, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2019, that:

| | Agreed? | | 'YES' means that the Committee: | PG Ref |
|---|----------------------------------|-----------------------|---|--------|
| | Yes | No* | | |
| 1. We have put in place arrangements for: <ul style="list-style-type: none"> effective financial management during the year; and the preparation and approval of the accounting statements. | <input checked="" type="radio"/> | <input type="radio"/> | Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law. | |
| 2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness. | <input checked="" type="radio"/> | <input type="radio"/> | Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge. | |
| 3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Committee to conduct its business or on its finances. | <input checked="" type="radio"/> | <input type="radio"/> | Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so. | |
| 4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014. | <input checked="" type="radio"/> | <input type="radio"/> | Has given all persons interested the opportunity to inspect the body's accounts as set out in the notice of audit. | |
| 5. We have carried out an assessment of the risks facing the Committee and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required. | <input checked="" type="radio"/> | <input type="radio"/> | Considered the financial and other risks it faces in the operation of the body and has dealt with them properly. | |
| 6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor. | <input checked="" type="radio"/> | <input type="radio"/> | Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body. | |
| 7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Committee and, where appropriate, have included them on the accounting statements. | <input checked="" type="radio"/> | <input type="radio"/> | Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant. | |
| 8. We have taken appropriate action on all matters raised in previous reports from internal and external audit. | <input checked="" type="radio"/> | <input type="radio"/> | Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors. | |

* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.

Committee approval and certification

The Committee is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of the Annual Governance Statement.

| | |
|--|--|
| <p>Certification by the RFO</p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Committee and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2019.</p> | <p>Approval by the Committee</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:</p> |
| <p>RFO signature: </p> | <p>Chair of meeting signature: </p> |
| <p>Name: Carys Lord</p> | <p>Name: Benjamin Gray</p> |
| <p>Date: 14th June 2019</p> | <p>Date: 14th June 2019</p> |

Committee re-approval and re-certification (only required if the annual return has been amended at audit)

| | |
|---|--|
| <p>Certification by the RFO</p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2019.</p> | <p>Approval by the Committee</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:</p> |
| <p>RFO signature:</p> | <p>Chair of meeting signature:</p> |
| <p>Name:</p> | <p>Name:</p> |
| <p>Date:</p> | <p>Date:</p> |

Auditor General for Wales' Audit Certificate and report

The external auditor conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2019 of:

| |
|--|
| |
|--|

External auditor's report

[Except for the matters reported below]* On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

[[These matters along with]* Other matters not affecting our opinion which we draw to the attention of the body and our recommendations for improvement are included in our report to the body dated _____.]

Other matters and recommendations

On the basis of our review, we draw the body's attention to the following matters and recommendations which do not affect our audit opinion but should be addressed by the body.

(Continue on a separate sheet if required.)

External auditor's name:

External auditor's signature:

Date:

For and on behalf of the Auditor General for Wales

* Delete as appropriate.

Annual internal audit report to:

Name of body: Regional Adoption Collaboration

The Committee's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2019.

The internal audit has been carried out in accordance with the Committee's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Committee.

| | Agreed? | | | | Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body) |
|---|----------------------------------|-----------------------|----------------------------------|----------------------------------|--|
| | Yes | No* | N/A | Not covered** | |
| 1. Appropriate books of account have been properly kept throughout the year. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Council's main accounting system used, no issues identified in specific audit or the annual financial systems audit |
| 2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | No relevant issues identified |
| 3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | Corporate risk assessment process in place |
| 4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Regular financial monitoring is undertaken and no issues identified |
| 5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Income received reconciled to the agreed values |
| 6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for. | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | Not applicable – purchasing card utilised now so no requirement for a petty cash fund. |
| 7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Centralised payroll audited annually. No relevant issues identified in the sample undertaken. |
| 8. Asset and investment registers were complete, accurate, and properly maintained. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | Not reviewed |

| | Agreed? | | | | Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body) |
|--|----------------------------------|-----------------------|-----------------------|-----------------------|--|
| | Yes | No* | N/A | Not covered** | |
| 9. Periodic and year-end bank account reconciliations were properly carried out. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | No separate bank account. Reconciliations are undertaken centrally of the bank account. No issues were identified |
| 10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Centralised main accounting audit performed annually. No relevant issues identified. |

For any risk areas identified by the Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:

| | Agreed? | | | | Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body) |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|
| | Yes | No* | N/A | Not covered** | |
| 11. Insert risk area | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Insert text |
| 12. Insert risk area | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Insert text |
| 13. Insert risk area | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Insert text |

* If the response is 'no', please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

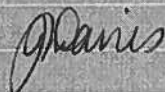
** If the response is 'not covered', please state when the most recent internal audit work was done in this area and when it is next planned, or if coverage is not required, internal audit must explain why not.

Internal audit confirmation

I/we confirm that as the Committee's internal auditor, I/we have not been involved in a management or administrative role within the body (including preparation of the accounts) or as a member of the body during the financial years 2017-18 and 2018-19. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit: Joan Davies

Signature of person who carried out the internal audit:



Date: 13th June 2019

Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. Proper practices are set out in the Practitioners' Guide.
2. Make sure that the Annual Return is fully completed ie, no empty red boxes. Please avoid making any amendments to the completed return. If this is unavoidable, cross out the incorrect entries, make sure the amendments are drawn to the attention of the body, properly initialled and an explanation for them is provided to the external auditor. **Please do not use correction fluid.** Annual returns that are incomplete or contain unapproved and/or unexplained amendments or correction fluid will be returned unaudited and may incur additional costs. Ask your auditor for an electronic copy of the form if required.
3. Use a second pair of eyes, perhaps the Chair or a member, to review your Annual Return for completeness before sending the original form to the auditor.
4. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2018) equals the balance brought forward in the current year (line 1 of 2019). Explain any differences between the 2018 figures on this annual return and the amounts recorded in last year's annual return.
5. Explain fully any significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a detailed analysis to support your explanation and be specific about the values of individual elements making up the variances.
6. Make sure that the copy of the bank reconciliation you send to your auditor with the Annual Return covers **all** your bank accounts and cash balances. If there are no reconciling items, please state this and provide evidence of the bank balances. If your Committee holds any short-term investments, please note their value on the bank reconciliation. The auditor should also be able to agree your bank reconciliation to line 9 in the accounting statements. More help on bank reconciliations is available in the Practitioners' Guide.
7. **Every committee must send to the external auditor, information to support the assertions made in the Annual Governance Statement even if you have not done so before.** Your auditor will tell you what information you need to provide. Please read the audit notice carefully to ensure you include all the information the auditor has asked for. You should send **copies** of the original records (certified by the Clerk and Chair as accurate copies) to the external auditor and not the original documents themselves.
8. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
9. If the auditor has to review unsolicited information, repeat a request for information, receives an incomplete bank reconciliation or explanation of variances or receives original documents that must be returned, the auditor will incur additional costs for which they are entitled to charge additional fees.
10. **Please deal with all correspondence with the external auditor promptly.** This will help you to meet your statutory obligations and will minimise the cost of the audit.
11. **Please note that if completing the electronic form, you must print the form for it to be certified by the RFO and signed by the Chair before it is sent to the auditor.**

| Completion checklist – 'No' answers mean that you may not have met requirements | | Done? | |
|---|---|-------|----|
| Initial submission to the external auditor | | Yes | No |
| Accounts | Do the papers to be sent to the external auditor include an explanation of significant variations from last year to this year? | Yes | |
| | Does the bank reconciliation as at 31 March 2019 agree to Line 9? | Yes | |
| Approval | Has the RFO certified the accounting statements and Annual Governance Statement (Regulation 15 (1)) no later than 30 June 2019? | Yes | |
| | Has the body approved the accounting statements before 30 June 2019 and has Section 3 been signed and dated by the person presiding at the meeting at which approval was given? | Yes | |
| All sections | Have all pink boxes in the accounting statements and Annual Governance Statement been completed and explanations provided where needed? | Yes | |
| | Has all the information requested by the external auditor been sent with this Annual Return? Please refer to your notice of audit and any additional schedules provided by your external auditor. | Yes | |

| If accounts are amended after receipt of the Auditor General's report on matters arising | | Yes | No |
|--|--|-----|----|
| Accounts | Have the amended accounting statements been approved and Section 3 re-signed and re-dated as evidence of the Committee's approval of the amendments before re-submission to the auditor? | | |