



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

AUDIT COMMITTEE

Date and Time

10.30 am, THURSDAY, 24TH SEPTEMBER, 2015

Location

Siambr Hywel Dda - Council Offices

Contact Point

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(DISTRIBUTED: 17/9/15)

AUDIT COMMITTEE

MEMBERSHIP (19)

Plaid Cymru (9)

Councillors

Aled Ll. Evans
Charles Wyn Jones
W. Tudor Owen

E. Selwyn Griffiths
Dilwyn Morgan
Gethin Glyn Williams

Sian Gwenllian
Michael Sol Owen
John Wyn Williams

Independent (5)

Councillors

Trevor Edwards
John Brynmor Hughes
Angela Russell

Thomas G. Ellis
John Pughe Roberts

Llais Gwynedd (2)

Councillors

Aeron M. Jones

Robert J. Wright

Labour (2)

Councillors

Sion W. Jones

Glyn Thomas

Lay Member

John Pollard

Ex-officio Members

Vice-Chairman of the Council

AGENDA

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT ITEMS

To note any items which are urgent business in the opinion of the Chairman so they may be considered.

4. MINUTES

1 - 4

The Chairman shall propose that the minutes of the meeting of this committee, held on 16 July 2015, be signed as a true record.

5. FINAL ACCOUNTS 2014/15

5 - 162

To submit the statutory financial statements for 2014/15.

- a) To submit the revised statutory financial statements by the Head of Finance for the Committee's approval (copy herewith – **white** paper)
- b)(i) To submit the formal "ISA 260" report to "those charged with governance" by the Wales Audit Office on the 2014/15 Statement of Accounts for Gwynedd Council (copy herewith – **grey** paper)
- b)(ii) To authorise the Committee Chairman and the Head of Finance to sign the "letter of representation" on behalf of the Audit Committee, which is charged with governance in relation to approving the statutory financial statements for Gwynedd Council (copy enclosed as Appendix 1 to the Wales Audit Office report in (b)(i) above)
- c)(i) To submit the formal "ISA 260" report to "those charged with governance" by the Wales Audit Office on the 2014/15 Statement of Accounts for the Pension Fund (copy herewith – **lilac** paper)
- c)(ii) To authorise the Committee Chairman and the Head of Finance to sign the "letter of representation" on behalf of the Audit Committee, which is charged with governance in relation to approving the statutory financial statements for the Pension Fund (copy enclosed as Appendix 1 to the Wales Audit Office report in (c)(i) above)

6. TREASURY MANAGEMENT 2015/16 - MID YEAR REVIEW 163 - 174

To submit, for information, the report of the Head of Finance on the Council's actual borrowing and investment during the current financial year (copy herewith – **blue** paper)

7. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP 175 - 188

To submit the report of the Chair of the Audit Committee outlining the feedback from the meeting of the Working Group on 20 August 2015. (copy herewith – **pink** paper).

8. OUTPUT OF INTERNAL AUDIT 189 - 206

To submit the report of the Audit Manager outlining the work of Internal Audit for the period between 1 July and 11 September 2015 (copy herewith – **green** paper).

9. INTERNAL AUDIT PLAN 2015/16 207 - 212

To submit the report of the Audit Manager on the progress made on the 2015/16 Internal Audit Plan (copy herewith – **salmon** paper).

AUDIT COMMITTEE 16/7/15

Present: Councillor John Pughe Roberts (Chairman)
Councillor Robert J. Wright (Vice-chairman)

Councillors: Trevor Edwards, Tom Ellis, Aled Ll. Evans, John B. Hughes, Aeron M. Jones, Charles Wyn Jones, Sion Wyn Jones, Dilwyn Morgan, Angela Russell and John Wyn Williams.

Also in attendance: Dafydd Edwards (Head of Finance Department), William E. Jones (Senior Finance Manager), Ffion Madog Evans (Finance Manager – Resources and Corporate – for Item 5 on the agenda), Caroline Lesley Roberts (Investment Manager – for Item 5 and 6 on the agenda), Dewi Morgan (Revenue and Risk Senior Manager), Luned Fôn Jones (Audit Manager), Hawis Jones (Strategic Planning and Performance Manager – for Item 9 on the agenda) and Bethan Adams (Member Support and Scrutiny Officer).

Apologies: Councillors Eddie Dogan, Michael Sol Owen and Glyn Thomas along with Mr John Pollard.

1. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any members present.

2. URGENT ITEMS

A member drew attention to a matter that he had noted at the previous meeting of the committee in terms of how consultants were appointed, along with their relationship with officers and ensuring that the appointment procedure conformed to OJEC standards. He noted that he had received further information relating to one case of using a consultant in the Education Department to examine the possibility of two secondary schools sharing a head teacher and this caused the member concern.

In response, the Chairman noted that the Internal Audit Section was already investigating the issue of employing consultants and a response would be prepared by the next meeting of the Committee. The member drew attention to another matter that caused him concern, namely the leasing of the Rhyd Ddu Outdoor Centre to Antur Nantlle Cyf.

The Chairman suggested that the relevant officers from the Economy and Property services could be invited to the next meeting of the Controls Improvement Working Group to discuss the matter with the member present.

3. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 30 June 2015, as a true record.

4. 2014/15 STATEMENT OF ACCOUNTS

The Head of Finance Department set out the background and context of the report. Attention was drawn to the fact that unaudited draft accounts were being submitted here, with the final version to be submitted for the Committee's approval at the meeting on 24 September 2015.

The Senior Finance Manager guided members through the accounts and noted that the Annual Governance Statement would also be included with the accounts to form one

composite document which would be brought before the next meeting of the Committee. It was reported that last year's accounts had received approximately 800 visits on the website and this was heartening.

The departments were congratulated on their work of managing budgets, as underspend only represented 0.18% (point one eighth of one per cent) of the total expenditure.

The Head of Finance Department drew attention to the figure associated with 'Remeasurements of the net defined benefit liability/assets' of £70,697 million on page 9 of the accounts. He explained that the pension liability situation had not changed significantly but the actuarial projection unit method was used with today's prices placed on some pension liabilities 60 years in the future. He noted that accounting rules insisted on using the returns rates on bonds as the discount rate, which meant that there was great movement between the years in the perceived value of the pension liabilities but were not a real change in terms of cash and this could give the wrong impression of the situation.

In response to a question regarding the costs of retirements at a time of cuts, the Head of Finance Department noted that the additional cost would be identified when applications were made for retirement funded by a contribution from the Department and/or the Corporate Redundancy Fund. Members were reminded that they had considered the decision of the Cabinet of the Council on 23 June 2015 to transfer £2,986,685 to the Redundancy Fund at the last meeting of the Committee. It was noted that the exact total cost could not be foreseen but the Redundancy Fund provision was being reviewed continuously so that the costs could be addressed.

In response to a further question, it was noted that the actuary had taken into account the change of pensionable age from 65 to 67 years.

A member referred to school reserves under 'Note 10 – Transfers to/from earmarked reserves' on page 26 and he noted that schools should still be encouraged to reduce their balances. The Head of Finance Department confirmed that schools were encouraged to use balances for the students' education and that the Education Department secured an explanation annually regarding the schools' intention of dealing with the money.

Regarding school balances, a member suggested the need to re-examine the funding formula for schools.

In response to an observation by a member, the Head of Finance Department noted that the Full Council, at its meeting on 9 October 2014, had underlined a previous decision not to invest the Council's own money in Israel. In terms of the Pension Fund's investments, it would have involved a long and costly exercise of re-contracting with the Investment Managers of the Fund to ensure that there would be no investment in Israel. He noted that officers and members of the Pensions Committee were trying to influence Investment Managers of companies who were investing on behalf of the Fund on how to invest the money and also they were trying to influence by means of the Local Authority Pension Fund Forum. He added that investment decisions to safeguard the interests of members of the scheme had to be made on the merits of the companies and the returns received.

A member referred to other employer costs under 'Note 31 – Officers' Remuneration' on page 56 regarding the retirement of Senior Officers. The Senior Finance Officer noted that the figures reflected additional costs for the Council and that they were not direct payments.

All staff associated with preparing the accounts and all Council staff involved with the Council's budgets were thanked for their hard and detailed work.

RESOLVED to accept and note the 2014/15 Statement of the Council's Accounts (subject to the 2014/15 audit).

5. TREASURY MANAGEMENT 2014/15

The background and context of the Investment Manager's report on the Council's actual treasury management activity during 2014/15, compared with the strategy that had been established for that financial year in February 2014, was laid out. The report provided details of the economic background, the borrowing requirement and debt management, investment activity and compliance with prudential indicators.

The Investment Manager confirmed that the Council's borrowing activities had been within the restrictions established and there had been no failure to pay or lack of liquidity by any of the counter parties used by the Council during 2014/15.

RESOLVED to accept the report for information.

6. OUTPUT OF THE INTERNAL AUDIT SECTION

The work of the Internal Audit Section for the period up to 30 June 2015

The report of the Audit Manager was submitted, outlining the work of the Internal Audit Section for the period between 1 April and 30 June 2015. It was noted that there had been seven reports regarding audits from the operational plan with the appropriate opinion categories shown completed during the period.

Consideration was given to all the reports individually.

A member noted regarding 'First Aid Payments' that there was a need for Council members to receive first aid training.

RESOLVED:

- (a) to accept the reports on the work of the Internal Audit Section for the period 1 April 2015 to 30 June 2015 and to support the recommendations that have already been submitted to the managers of the relevant services for implementation.**
- (b) that the members appointed to serve on the Controls Improvement Working Group at the meeting of the Committee on 30 June consider the audits that have received a category 'C' opinion in this period also.**
- (c) it is the responsibility of any member who is unable to be present in the Working Group to arrange a substitute.**

7. INTERNAL AUDIT PLAN 2015/16

The report of the Senior Audit and Risk Manager was submitted, providing an update on the current situation in terms of completing the 2015/16 internal audit plan.

It was reported that the Internal Audit Unit had exceeded the target for quarter 1 with seven final reports released, namely 11.1% audits of the plan compared with a target of 8%.

RESOLVED to note the contents of the report as an update of progress against the 2015/16 audit plan.

8. EXTERNAL AUDIT REPORTS

The report was submitted by the Strategic Planning and Performance Manager. It was noted that the report provided an update in terms of the external audit reports received with the appendix detailing the reports, the actions and the scrutiny arrangements.

A member noted that with regard to assessing care investigations, there was a need for members to receive training to equip them to deal with care matters. In response, the

Strategic Planning and Performance Manager noted that she would raise the matter with the Democratic Services Manager.

RESOLVED:

- (i) to accept the report and to note that the Committee is satisfied that the recommendations of the external auditors are receiving sufficient attention.
- (ii) that the Strategic Planning and Performance Manager raises the matter regarding training for members to equip them to deal with care issues with the Democratic Services Manager.

9. RESPONDING TO SIGNIFICANT FINANCIAL STRESS

It was reported that a national report had been published in April 2015, by the Wales Audit Office (WAO), stating that "Councils in Wales have responded well to significant financial stress but they need to improve their financial management and planning processes to meet the increasing financial challenges ahead."

It was noted that some Welsh Treasurers considered that the report was rather superficial with insufficient evidence to support some conclusions and lacking reference to good practice in Wales due to failure to effectively engage with local authority finance departments on this work.

The Head of Finance Department guided the members through the report which detailed the WAO recommendations and the Council's response/action.

Members provided observations regarding Recommendation 6 in terms of income generation, namely:

- Care had to be taken not to tread on the toes of the private sector;
- The situation regarding Council staff car parks should be considered;
- Some type of payment from caravan parks should be examined to generate income.

A member noted that the external audit reports, considering the current critical financial situation, should assist Local Authorities in terms of providing opportunities to reduce expenditure and generate income.

In response to an observation by a member regarding Recommendation 9 regarding equipping members with training to deliver the best for Gwynedd residents, the Head of Finance Department referred to the financial seminars that had been held during February 2015, before noting that should members want to receive specific training on anything else, then, they were requested to contact the Finance Department.

RESOLVED to accept the report.

The meeting commenced at 10.30am and concluded at 12.10pm

CHAIRMAN

| | |
|----------------|--|
| MEETING | AUDIT COMMITTEE |
| DATE | 24 September 2015 |
| TITLE | The Final Accounts for the year ended 31 March 2015 and relevant Audit |
| PURPOSE | To submit – <ul style="list-style-type: none">• The Statement of Accounts post-Audit;• The Wales Audit Office’s ‘ISA260’ reports;• Letters of Representation (Appendix 1). |
| RECOMMENDATION | To consider and approve the information before authorising the Chairman to certify the letters. |
| AUTHOR | Dafydd L Edwards, Head of Finance |

1. ACCOUNTS FOR 2014/15

Members will recall that the Statement of Accounts for 2014/15 (pre-audit) were presented to the Audit Committee on 16 July 2015, when it was scrutinised accordingly.

2. AUDIT BY THE WALES AUDIT OFFICE

It was noted in the July meeting that these accounts would be subject to audit by the Wales Audit Office, and the ‘ISA 260’ reports are presented here by the Auditor General for Wales detailing the Wales Audit Office’s main findings.

3. POST-AUDIT FINANCIAL STATEMENTS FOR 2014/15

The final version (post-audit) of the Statement of Accounts for 2014/15 is also presented here. The main amendments since the pre-audit version have been outlined in Appendix 3 to the Wales Audit Office’s ‘ISA260’ report.

4. RECOMMENDATION

The Audit Committee is asked to consider and approve the –

- ‘ISA260’ report by the Wales Audit Office in respect of:
 - Gwynedd Council
 - Gwynedd Pension Fund
- Statement of Accounts for 2014/15 (post-audit)

5. LETTERS OF REPRESENTATION

The Chairman of the meeting, together with the Head of Finance, are asked to certify the Letters of Representation (Appendix 1 to the Wales Audit Office’s reports) after the Audit Committee has approved the above.

6. CERTIFICATION BY THE APPOINTED AUDITOR

After receiving the Letters of Representation duly certified by the Chairman and the Head of Finance, and after the Wales Audit Office has resolved the objection by a member of the public, the Auditor General for Wales will issue the certificate on the accounts.

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**STATEMENT OF
ACCOUNTS
2014/15**

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EXPLANATORY FOREWORD

INTRODUCTION

Gwynedd Council's accounts for the year 2014/15 are presented here on pages 8 to 108.

The Accounts consist of:-

- **Movement in Reserves Statement** - This statement shows the movement in year on the different reserves held by the Authority, analysed into 'usable reserves' and 'unusable reserves'. The taxation position is reflected in the Movement in Reserves Statement.
- **Comprehensive Income and Expenditure Statement** - This is the Council's main revenue account. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** - Sets out the financial position of the Council on 31 March 2015.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2014/15 for revenue and capital purposes.
- **The Gwynedd Pension Fund Accounts and Balance Sheet.**
- **The Welsh Church Fund and FMG Morgan Trust Fund Accounts.**

These accounts are supported by this Foreword, the Accounting Policies and various notes to the accounts.

REVENUE EXPENDITURE IN 2014/15

- The Comprehensive Income and Expenditure Statement on page 9 shows that the Council's gross revenue expenditure on 'Cost of Services' level was £350m during 2014/15, with the net position as £227m.
- The financial out-turn position for 2014/15 was reported to the Cabinet at its meeting on 2 June 2015. The members of the Cabinet approved the carry forward of net service underspends of £447k for the year.

TABLE I – Budget and Actual Comparison Summary (Net)

Table I provides a budgetary performance comparison at a summary level, and which is detailed further in Table 2.

| | Budget | Actual | Variance |
|--|---------------|---------------|-----------------|
| | £'000 | £'000 | £'000 |
| Net Expenditure on Operations | 243,061 | 243,049 | (12) |
| Departmental Carry Forward at year end | 0 | 447 | 447 |
| | <hr/> | <hr/> | <hr/> |
| | 243,061 | 243,496 | 435 |
| Financed by - | | | |
| Council Tax Income | (68,090) | (68,525) | (435) |
| Share of National Non-Domestic Rate | (38,991) | (38,991) | 0 |
| General Government Grants | (135,980) | (135,980) | 0 |
| | <hr/> | <hr/> | <hr/> |
| | 0 | 0 | 0 |

- The Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement on page 8 and 9 detail the actual analysis in movements for the year.

TABLE 2 – Transposition movement between ‘Budget and Actual Comparison Summary (Net)’ (Table 1) to the Income and Expenditure format reflecting Departmental Management Structure.

| Department | Performance Report | Transposition Adjustment | Income & Expenditure Statement |
|--|--------------------|--------------------------|--------------------------------|
| | £'000 | £'000 | £'000 |
| Human Resources | 31 | 0 | 31 |
| Education | 92,758 | (345) | 92,413 |
| North & Mid Wales Trunk Road Agency | 16 | (86) | (70) |
| Finance | 1,360 | 87 | 1,447 |
| Economy and Community | 14,118 | (439) | 13,679 |
| Adults, Health and Wellbeing | 50,940 | 50 | 50,990 |
| Children and Families | 14,353 | (100) | 14,253 |
| Highways and Municipal | 26,816 | (1,645) | 25,171 |
| Regulatory (Planning, Transport and Public Protection) | 11,760 | 120 | 11,880 |
| Strategic and Improvement | 730 | 11 | 741 |
| Gwynedd Consultancy | 1,236 | (10) | 1,226 |
| Corporate Management Team | 621 | 0 | 621 |
| Corporate | 14,262 | 448 | 14,710 |
| Reserves | 281 | 0 | 281 |
| Cost of Services | 229,282 | (1,909) | 227,373 |
| Other (Contains Centralised and Corporate Adjustment) | 14,214 | 1,909 | 16,123 |
| Total | 243,496 | 0 | 243,496 |

Transposition Adjustment - Adjustments in the transposition column relate to the net contribution to and from reserves and the required adjustments relating to insurance.

- Full standard Income and Expenditure format analysis is contained on page 9.
- Full analysis of amounts reported for resource allocation decisions is contained within Note 28, page 52.
- Service Reporting Code of Practice (SeRCOP) Analysis is contained within Appendix A.
- **Material Items of Income and Expenditure**

Related items include:-

- A movement of £74m on pensions, on the remeasurements of the net defined benefit liability/(assets), relating to pensions, in line with Gwynedd Council's Actuary's assessment (Note 24).
- A net increase of £28m following full revaluation of the Council's Land and Buildings on 1 April 2014 (Note 15 & 24).
- A reduction of £11m in the value of asset impairment, relating to the level of expenditure on capital schemes in 2014/15 in comparison with 2013/14 (Note 15).

- **Impact of Current Economic Climate**

There have been unprecedented problems in the global financial situation in recent years. Due to this general situation, it has been necessary for the Authority to take these circumstances into account in its financial plans, and also keep a prudent level of balances and reserves.

CAPITAL EXPENDITURE IN 2014/15

Capital expenditure for 2014/15 amounted to £32.4m. The following table gives an analysis of this expenditure and the way it was financed.

| SUMMARY OF CAPITAL EXPENDITURE AND FINANCING | |
|---|----------------|
| 2013/14 | 2014/15 |
| £'000 | £'000 |
| 35 Human Resources | 3 |
| 8,630 Education | 4,905 |
| 38 Finance | 788 |
| 5,199 Economy and Community | 4,746 |
| 8,536 Customer Care | 0 |
| 3,377 Social Services, Housing and Leisure | 0 |
| 0 Adults, Health and Wellbeing | 4,355 |
| 8,690 Highways and Municipal | 6,164 |
| 6,360 Regulatory | 10,993 |
| 14 Strategic and Improvement | 0 |
| 582 Gwynedd Consultancy | 464 |
| 41,461 | 32,418 |
| FINANCED BY - | |
| 10,664 Borrowing | 8,594 |
| 18,904 Grants and Contributions | 15,520 |
| 1,377 Capital Receipts | 1,873 |
| 10,516 Revenue and Other Funds | 6,431 |
| 41,461 | 32,418 |

There was a change to the Departmental structure between 2013/14 and 2014/15, and consequently there is a change to the comparative breakdown figures to reflect the current Departments

- Revenue Expenditure Funded from Capital Under Statute of £4,832,784 is included in the above table. This has been charged to the Income and Expenditure Account in the year. Total expenditure on Non-current Assets and Assets Held for Sale was £27,427,780 as shown in Note 15 and 20 on pages 33 to 35 and 45.
- The Council's Loan Debt on 31 March 2015 was £112m – a reduction of £1.1m (from £113.1m) during the year. Repayments of £1.18m were made in accordance with the terms of individual loans.

Provisions and Reserves

In addition to General Balances of £6.3m, the Council had other provisions of £12.3m, earmarked reserves of £48.6m and school balances of £3.5m. In total, these amounted to £70.7m. These are detailed in the Balance Sheet, Movement in Reserves Statement and in Notes 10 and 22.

Pension Fund

The Council (as an employer) has a net liability from its share of the assets and liabilities of the Gwynedd Pension Fund, which has been calculated in accordance with International Accounting Standard 19. The Balance Sheet contains an assessment by the Fund's Actuary, Hymans, of the Council's share of the Pension Fund liability. This net liability has increased by £77m to £248.7m in 2014/15. Refer to Note 40 for further information.

The net pension liability is a position at one point in time. Market prices can move substantially up or down in the short term and it is therefore not possible to quantify the long term effect such movements in market prices will have on the Pension Fund.

Gwynedd Pension Fund

The Gwynedd Pension Fund Accounts (pages 74 to 104) show an increase during the year of £187.8m in the market value of the net assets of the Fund, to £1,497.4m. The book value of the net assets at 31 March 2015 was £1,077.7m (2014: £994.4m).

Accounting Policies

The accounting policies adopted by the Council comply with all relevant recommended accounting practices and are fully explained in the Accounting Policies set out in Note 1 of the Accounts on page 12.

Changes in Accounting Policies and to the Statement of Accounts

There were no significant changes to accounting practices during 2014/15.

FURTHER INFORMATION

The Statement of Accounts is available on Gwynedd Council's website www.gwynedd.gov.uk.

Further information relating to the accounts is available from:

William E Jones
Senior Finance Manager
01286 679406

or

Ffion Madog Evans
Finance Manager - Resources and Corporate
01286 679133

Finance Department
Gwynedd Council
Council Offices
Caernarfon
Gwynedd
LL55 1SH

This is part of the Council's policy of providing full information relating to the Council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press at the appropriate time.

GWYNEDD COUNCIL

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

Gwynedd Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Gwynedd Council, that officer is the Head of Finance. It is also the Authority's responsibility to manage its affairs to secure economic, efficient and effective use of its resources, to safeguard its assets, and to approve the Statement of Accounts.

24 September 2015

Chair Audit Committee

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing the statement of accounts, the Head of Finance has selected suitable accounting policies and then applied them consistently; has made judgements and estimates that were reasonable and prudent and complied with the Code of Practice.

The Head of Finance has also kept proper accounting records which were up to date and has taken reasonable steps for the prevention and detection of fraud and other irregularities.

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Council and the Pension Fund at 31 March 2015 and the Council's income and expenditure for the year then ended.



Dafydd L. Edwards B.A., C.P.F.A., I.R.R.V.
Head of Finance, Gwynedd Council

16 September 2015

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

| Note | General Fund Balance £'000 | Earmarked General Fund Reserves £'000 | Total Reserves held by Schools £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 |
|--|-------------------------------|---|--|----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|----------------------------|--------------------------------------|
| Balance 31 March 2013 carried forward | (8,051) | (49,894) | (3,813) | (1,727) | (2,240) | (1,890) | (67,615) | (35,236) | (102,851) |
| Movement in reserves during 2013/14 | | | | | | | | | |
| (Surplus)/Deficit on provision of services | 1,419 | 0 | 0 | 0 | 0 | 0 | 1,419 | 0 | 1,419 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,679) | (1,679) |
| Total Comprehensive Income and Expenditure | 1,419 | 0 | 0 | 0 | 0 | 0 | 1,419 | (1,679) | (260) |
| Adjustments between accounting basis and funding basis under regulations | 9 62 | 0 | 0 | 0 | (167) | (2,363) | (2,468) | 2,468 | 0 |
| Net (Increase)/Decrease before Transfers to Earmarked Reserves | 1,481 | 0 | 0 | 0 | (167) | (2,363) | (1,049) | 789 | (260) |
| Transfers to/from Earmarked Reserves | 10 (1,832) | 69 | 36 | 1,727 | 0 | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in 2013/14 | (351) | 69 | 36 | 1,727 | (167) | (2,363) | (1,049) | 789 | (260) |
| Balance 31 March 2014 carried forward | (8,402) | (49,825) | (3,777) | 0 | (2,407) | (4,253) | (68,664) | (34,447) | (103,111) |
| Movement in reserves during 2014/15 | | | | | | | | | |
| (Surplus)/Deficit on provision of services | 3,964 | 0 | 0 | 0 | 0 | 0 | 3,964 | 0 | 3,964 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 47,154 | 47,154 |
| Total Comprehensive Income and Expenditure | 3,964 | 0 | 0 | 0 | 0 | 0 | 3,964 | 47,154 | 51,118 |
| Adjustments between accounting basis and funding basis under regulations | 9 (382) | 0 | 0 | 0 | (321) | 1,676 | 973 | (973) | 0 |
| Net (Increase)/Decrease before Transfers to Earmarked Reserves | 3,582 | 0 | 0 | 0 | (321) | 1,676 | 4,937 | 46,181 | 51,118 |
| Transfers to/from Earmarked Reserves | 10 (1,530) | 1,249 | 281 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in 2014/15 | 2,052 | 1,249 | 281 | 0 | (321) | 1,676 | 4,937 | 46,181 | 51,118 |
| Balance 31 March 2015 carried forward | (6,350) | (48,576) | (3,496) | 0 | (2,728) | (2,577) | (63,727) | 11,734 | (51,993) |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – 2014/15

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

| 2013/14 | | | 2014/15 | | | |
|-------------------|------------------|-----------------|---------|-------------------|------------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | Note | £'000 | £'000 | £'000 |
| 17,598 | (7,203) | 10,395 | | 17,682 | (7,474) | 10,208 |
| 28,711 | (10,501) | 18,210 | | 26,688 | (9,372) | 17,316 |
| 16,245 | (11,660) | 4,585 | | 10,531 | (5,486) | 5,045 |
| 125,423 | (22,033) | 103,390 | | 112,039 | (19,358) | 92,681 |
| 18,050 | (2,412) | 15,638 | | 21,550 | (4,944) | 16,606 |
| 28,817 | (10,980) | 17,837 | | 32,912 | (14,325) | 18,587 |
| 43,063 | (38,123) | 4,940 | | 42,982 | (38,325) | 4,657 |
| 61,650 | (15,399) | 46,251 | | 62,671 | (16,907) | 45,764 |
| 12,096 | (2,311) | 9,785 | | 12,698 | (1,709) | 10,989 |
| 8,433 | (3,865) | 4,568 | | 9,136 | (4,279) | 4,857 |
| 308 | 0 | 308 | | 663 | 0 | 663 |
| 360,394 | (124,487) | 235,907 | | 349,552 | (122,179) | 227,373 |
| 19,144 | (288) | 18,856 | 11 | 19,842 | 0 | 19,842 |
| 14,238 | (651) | 13,587 | 12 | 13,960 | (474) | 13,486 |
| 0 | (266,931) | (266,931) | 13 | 0 | (256,737) | (256,737) |
| 393,776 | (392,357) | 1,419 | | 383,354 | (379,390) | 3,964 |
| | | 1,429 | 24 | | | (23,518) |
| | | 0 | 24 | | | (25) |
| | | (3,108) | 24 | | | 70,697 |
| | | (1,679) | | | | 47,154 |
| | | (260) | | | | 51,118 |

BALANCE SHEET – 31 MARCH 2015

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide 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 under regulations'.

| 31 March 2014 | | Note | 31 March 2015 |
|------------------|--|------|------------------|
| £'000 | | | £'000 |
| 378,869 | Property, Plant and Equipment | 15 | 412,453 |
| 111 | Heritage Assets | | 110 |
| 100 | Investment Property | 16 | 247 |
| 2,526 | Surplus Assets | 15 | 2,644 |
| 77 | Long Term Investments | 17 | 1,190 |
| 4,449 | Long Term Debtors | 17 | 4,862 |
| 386,132 | Long Term Assets | | 421,506 |
| 27,083 | Short Term Investments | 17 | 37,236 |
| 2,488 | Assets Held for Sale | 20 | 1,040 |
| 1,455 | Inventories | | 1,467 |
| 52,134 | Short Term Debtors | 18 | 42,357 |
| 20,886 | Cash and Cash Equivalents | 19 | 18,480 |
| 104,046 | Current Assets | | 100,580 |
| (19,496) | Bank Overdraft | 19 | (21,397) |
| (1,884) | Short Term Borrowing | 17 | (904) |
| (63,291) | Short Term Creditors | 21 | (66,353) |
| (479) | Short Term Provisions | 22 | (2,954) |
| (1,775) | Capital and Revenue Grants Receipts in Advance | 33 | (2,881) |
| (86,925) | Current Liabilities | | (94,489) |
| (100) | Long Term Creditors | 17 | (49) |
| (10,824) | Long Term Provisions | 22 | (9,350) |
| (111,215) | Long Term Borrowing | 17 | (111,108) |
| (171,689) | Net Pension Liability | 40 | (248,721) |
| (2,372) | Finance Leases Liability | 36 | (2,253) |
| (3,942) | Capital and Revenue Grants Receipts in Advance | 33 | (4,123) |
| (300,142) | Long Term Liabilities | | (375,604) |
| 103,111 | Net Assets | | 51,993 |
| (68,664) | Usable Reserves | 23 | (63,727) |
| (34,447) | Unusable Reserves | 24 | 11,734 |
| (103,111) | Total Reserves | | (51,993) |

CASH FLOW STATEMENT – 2014/15

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing Activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

| 2013/14 £'000 | | Note | 2014/15 £'000 |
|------------------|---|------|------------------|
| 1,419 | Net (Surplus) or Deficit on the Provision of Services | | 3,964 |
| (32,017) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 25a | (48,235) |
| 1,514 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 25b | 2,190 |
| (29,084) | Net cash flows from Operating Activities | | (42,081) |
| 28,063 | Investing Activities | 26 | 45,188 |
| 935 | Financing Activities | 27 | 1,200 |
| (86) | Net (increase) / decrease in cash and cash equivalents | | 4,307 |
| (1,304) | Cash and cash equivalents at the beginning of the reporting period | 19 | (1,390) |
| (1,390) | Cash and cash equivalents at the end of the reporting period | 19 | 2,917 |

NOTES TO THE ACCOUNTS

NOTE I – ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued in the 2014 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

In relation to a policy regarding capitalisation of expenditure, our practice is to operate on the basis of the nature of expenditure rather than a prescribed level of expenditure.

1.2 Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- 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.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Where the Authority has short-term investments readily convertible into known amounts of cash and subject to insignificant risk of changes in value, these are classified as cash equivalents and included in Cash and Cash Equivalents on the Balance Sheet. The investments included in this definition are short-term deposits with financial institutions which are immediately available at the Balance Sheet date.

1.4 Contingent Liabilities

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

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

1.5 Corporate and Democratic Core

The Corporate and Democratic Core heading includes items relating to the Democratic Representation and Management and Corporate Management. The Democratic Representation and Management include corporate

NOTE 1 – ACCOUNTING POLICIES (continued)

policy making and member activities while the Corporate Management includes costs that relate to the general running of the Authority.

1.6 Employee Benefits

1.6.1 Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

1.6.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept redundancy voluntarily and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

1.6.3 Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Capita Teachers' Pensions on behalf of the Westminster Government's Department for Education
- The Local Government Pensions Scheme, administered by the Gwynedd Pension Fund at Gwynedd Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees when they worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to The Teachers' Pensions Scheme in the year.

1.6.4 The Local Government Pension Scheme

All other staff, subject to certain qualifying criteria, are entitled to become members of the Local Government Pension Scheme. The pension costs charged to the Authority's accounts in respect of this group of employees is determined by the fund administrators and represents a fixed proportion of employees' contributions to this funded pension scheme.

The Local Government Scheme is accounted for as a defined benefit scheme:

The liabilities of the Gwynedd Pension Fund attributable to the Authority 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 such as mortality rates, employee turnover rates, etc., and projections of earning for current employees.

NOTE 1 – ACCOUNTING POLICIES (continued)

Liabilities are discounted to their value at current prices, using a discount rate of 3.2% calculated as a weighted average of 'spot yields' on AA rated corporate bonds.

The assets of the Gwynedd Pension Fund attributable to the Authority are included in the balance sheet at their fair value as determined by the Fund's actuary.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Net interest on the net defined benefit/(asset), i.e. the net interest expense for the authority – the change during the period in the net defined benefit liability/(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) at the beginning of the period – taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments.

Remeasurements comprising:

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

Contributions paid to the Gwynedd Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

International Accounting Standard (IAS) 19 governs how the long term liabilities which exist in relation to pension costs should be reported. Local councils in Wales and England are required to produce their financial statements in accordance with IAS 19.

1.6.5 Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

NOTE I – ACCOUNTING POLICIES (continued)

1.7 Events after the Reporting Period

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

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

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

1.8 Prior Period Adjustments, changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Thus the term financial instrument covers both financial assets and financial liabilities.

In accordance with the requirements the Council's financial assets and liabilities have been reviewed in order to categorise them and determine their treatment. The financial instruments identified as a result of this review were:

Financial liabilities

- Trade payables and other payables (creditors).
- Long term borrowings including deferred premiums and discounts on early settlement of such loans.
- Financial guarantees.

Financial assets

- Bank deposits
- Trade receivables (debtors)
- Loans receivable
- Investments

The Council values its financial liabilities at amortised cost using the effective interest rate method. The interest charged to the Comprehensive Income and Expenditure Statement is calculated using the effective interest rate. As the Council's long term borrowing is all at fixed rates the interest charged is the amount accrued in the year.

Gains or losses arising on the repurchase or early settlement of borrowing are treated as extinguishment of the financial liability unless strict conditions are met when the transaction may be treated as a modification of the existing loan terms and any gain or loss adjusts the carrying amount of the loan debt received.

The majority of the Council's financial assets are classified as loans and receivables and as such are valued at amortised cost using the effective interest rate method.

NOTE I – ACCOUNTING POLICIES (continued)

Where the Authority has short-term investments readily convertible into known amounts of cash and subject to insignificant risk of changes in value, these are classified as cash equivalents and included in Cash and Cash Equivalents on the Balance Sheet. The investments included in this definition are short-term deposits with financial institutions which are immediately available at the Balance Sheet date.

Short duration Payables and Receivables with no stated interest rate are measured at original invoice amount. This includes all trade payables and trade receivables.

The Local Authorities (Capital Financing and Accounting) (Wales) (Amendment) Regulations 2007 allow the effect of the restatement of financial instruments to be adjusted through the Movement in Reserves Statement and the resulting adjustments are shown in the Financial Instrument Adjustment Account and the Available for sale Financial Instruments Reserve on the Balance Sheet. The adjustment allowed by statute means that the net effect on the Council's balances is equivalent to the transfer under this policy.

1.10 Government Grants and Other Contributions

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis, and recognised immediately in the relevant service line in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the Authority has not satisfied.

Grants and contributions funding capital expenditure that have been credited to the Comprehensive Income and Expenditure Statement are not proper income charges due to the capital control regime requirements to finance capital expenditure as part of the Capital Financing Requirement. Therefore, the authority accounts for these amounts as follows:

- Where a capital grant or contribution has been received, and conditions remain outstanding at the Balance Sheet date, the grant is recognised as a Capital Grant Receipt in Advance on the Balance Sheet. Once the condition has been met, the grant or contribution is transferred to the Comprehensive Income and Expenditure Statement.
- Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

1.11 Heritage Assets

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held by the Authority principally for their contribution to knowledge or culture. The Council has identified the following categories of heritage assets:

- Pictures and Paintings
- Civic Regalia
- Library Collections/Archives
- Museums and Art Gallery Collections
- Historic Buildings and Scheduled Monuments
- Parks and Local Nature Reserves

The Council employed an external valuer (Bonhams) to provide estimated valuations of its civic regalia and paintings and pictures. For consistency, the Council has applied the same de-minimis levels for valuation purposes to Heritage Assets as its other long term assets – see policy 1.17.

The Council considers that heritage assets held by the Council will have indeterminate life and high residual value; hence, the Council does not consider it appropriate to charge depreciation for the assets. Heritage assets recognised in the accounts will be assessed annually for any impairment.

1.12 Inventories and Long Term Contracts

Stocks and work in progress should be shown in the balance sheet at the lower of cost or net realisable value, in accordance with the provisions of the Code of Practice. Due to the practicalities of the Council's main stock

NOTE I – ACCOUNTING POLICIES (continued)

systems, the majority of stock is shown in the accounts at average cost. The difference from the basis of valuation is not material.

1.13 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

1.14 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership of the property, plant or equipment to the lessee. All other leases are classified as operating leases.

The Authority as Lessee:

Amounts held under finance leases are initially recognised, at the commencement of the lease, at fair value (or, if lower, the present value of the minimum lease payments), with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between a finance charge (charged directly to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement) and a charge applied to write down the lease liability. The related asset is treated in accordance with the policies applied generally to such assets and is subject to depreciation charges as appropriate.

Operating lease payments are charged to the Comprehensive Income and Expenditure Statement as an expense of the relevant service on a straight-line basis over the lease term.

The Authority as Lessor:

The Authority currently has no Finance Leases where the Authority is the lessor.

Rental income from property granted under an operating lease is recognised on a straight-line basis in the Comprehensive Income and Expenditure Statement, and the asset is retained in the Balance Sheet.

1.15 Surplus Assets

The Authority classifies Surplus Assets separately on the Balance Sheet. These assets are shown at their fair value based on existing use value.

1.16 Overheads and Support Services

Charges for services provided by the Central Support Departments are derived from a combination of pre-determined fixed charges, actual recorded staff time, transaction logging and pre-determined formulae.

The only unallocated residual costs are those of corporate management and support service costs which the Code of Practice specifies should not be allocated. The allocation complies with the Service Reporting Code of Practice (SeRCOP) 2014/15.

1.17 Long Term Assets

The Council's assets as recorded on the Property Services database are revalued at least every 5 years. This is in accordance with the Code and the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The last complete revaluation was effective from 1st April 2014.

Land and Buildings are shown at fair value or Depreciated Replacement Cost (DRC) for specialised properties.

Investment Properties are shown at fair value.

Vehicles, Plant, Furniture and Equipment are shown at depreciated historical cost.

Infrastructure and community assets are shown at historical cost.

Assets in the course of construction are included at historical cost until such time as they are completed, when they are valued in accordance with the accounting policies and transferred to the appropriate category of asset.

NOTE I – ACCOUNTING POLICIES (continued)

A de-minimis limit for valuation purposes of £20,000 is used for the Council's operational Land and buildings and £5,000 for single items of Vehicles, Plant, Furniture and Equipment.

Expenditure in year on new and existing assets is added annually, and then consideration is given as to whether this expenditure has increased the value of the asset. If there has been an increase, this is reflected through the Revaluation Reserve; if there is no increase it follows that there has been an impairment to the value of the asset (see below for the method for accounting for impairment). Specifically for assets categorised as Property (Land and Buildings) where expenditure of over £100,000 has been incurred on a single asset, the Council's Corporate Property Manager (M.R.I.C.S.) reviews the assets and re-values any one as appropriate.

Impairment and Depreciation

Impairment

An impairment is the consumption of economic benefit that is specific to an asset. In line with International Accounting Standard 36 the Council reviews its assets each year in order to recognise any impairment or reduction in value due to the consumption of economic benefits. In addition, the residual values and useful lives of assets are reviewed annually and adjusted where appropriate.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Depreciation

The main element of IAS 16 is that buildings must be depreciated if they are not valued each year. In addition, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. A de-minimis threshold, below which assets are disregarded for componentisation purposes needs to be established, which is based on potential material impacts on the financial statements. (For the 2014/15 financial year this has been set at £1.83m which is 1% of the total value of the buildings). The apportionment to be considered for the non-land element of assets above the de-minimis threshold is:

- a) plant and equipment and engineering services, and
- b) structure

The majority of the Council's buildings (over 75%) are valued using the DRC (Depreciated Replacement Cost) method, which is developed on a component approach, and the identification of the components are reflected in the details of the calculations. However, identified within the above are buildings which include material items of plant and equipment which are deemed to have shorter useful lives e.g. boilers and heating equipment within swimming pools and leisure centers. These components are recognised by adjusting the useful life of the building to take account of the shorter life components.

For the remaining buildings, based on a review of the nature and type of buildings which the Council owns, these are deemed to have no significant items of plant and equipment or engineering services that need to be componentised separately.

Depreciation is generally charged on the balance sheet value of assets to write them off as follows:

- (i) Vehicles, Plant Furniture and Equipment are depreciated over their estimated useful life (3–15 years)
- (ii) Infrastructure is depreciated over 40 years
- (iii) Revenue Expenditure funded from Capital under Statute is written down in the period in which it arises
- (iv) Land is not depreciated
- (v) Buildings are depreciated over their estimated remaining useful life (5 – 80 years)
- (vi) Investment Properties, Assets under Construction and Assets Held for Sale are not depreciated

NOTE 1 – ACCOUNTING POLICIES (continued)

Depreciation is not charged in the year of acquisition.

Minimum Revenue Provision

The Local Authorities (Capital Finance and Accounting)(Wales)(Amendment) Regulations 2008 (SI 2008/588 (W.59)) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Welsh Ministers and local authorities are required to “have regard” to such Guidance under section 21(1B) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

NB This does not preclude other prudent methods.

MRP in 2014/15: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Council chooses).

The MRP Statement was submitted to Council before the start of the 2014/15 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

The Council applied Option 1 in respect of supported capital expenditure funded from borrowing, and Option 3 in respect of unsupported capital expenditure funded from borrowing.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice matches the annual principal repayment for the associated deferred liability.

The Authority will be reviewing this policy annually in light of the Asset Management Plan.

In accordance with the Code of Practice, revenue financing of capital expenditure on Council Fund Services is appropriated to the Capital Adjustment Account.

1.18 Non Distributed Costs

The majority of central support services are allocated to the service divisions in accordance with the Service Reporting Code of Practice (SeRCOP) 2014/15. The items that are excluded from this treatment are defined as Non Distributed Costs and include the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

1.19 Provisions

The Council sets aside provisions for specific obligations which are likely or certain to be incurred but the amount of which cannot yet be determined accurately. Provisions are also made for doubtful debts. Known uncollectable debts are written off against the relevant service. The Council classifies these provisions as long-term or short-term liabilities as appropriate according to the nature of each provision.

1.20 Reserves (and Balances)

In accordance with the requirements of the Local Government Act 1992, the Council maintains a –

- General Fund which represents the general reserves (“balances”) of the Authority, namely a working balance to help cushion the impact of uneven cash flows and as a contingency to cushion the impact of unexpected events or emergencies.
- Number of capital and revenue Specific Reserves earmarked for specific purposes, namely, money accumulated to meet anticipated commitments. The Council undertakes a continuous review of the adequacy and use of specific reserves.

NOTE I – ACCOUNTING POLICIES (continued)

The Council takes a risk-based approach to maintaining an adequate level of balances and reserves to meet future spending needs. When considering the annual budget and medium term financial strategy, the Council will set out their intention regarding the level of general balances and reserves, in the context of all relevant risks. Refer to the approval of the full policy in respect of reserves by the Council Cabinet on 23 June 2015.

- Certain reserves, namely “unusable reserves” are kept for the technical purpose of managing the accounting processes for non-current assets, financial instruments and employee benefits. These do not represent the usable resources of the Authority.

1.21 Revenue Expenditure Funded from Capital Under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as an asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year’s Council Tax. This type of expenditure is valued at historical cost and written down over a year.

1.22 Value Added Tax

Only in a situation when VAT is irrecoverable, will VAT be included or charged as ‘irrecoverable VAT’ in capital and revenue expenditure.

1.23 Debtors and Creditors

The Council’s Accounts are maintained on an accruals basis in accordance with the Code of Accounting Practice. The accounts reflect actual expenditure and income relating to the year in question irrespective of whether the payments or receipts have actually been paid or received in the year.

An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years, and certain annual payments such as insurance. This policy is consistently applied each year and therefore does not have a material effect on the year’s accounts.

1.24 Allocation of Interest Received

The Authority invests surplus funds for periods varying from overnight to two years and the interest is credited to the General Fund, Gwynedd Pension Fund, Welsh Church Fund and other trust funds based on the level of their daily balances and the rate of interest earned.

1.25 Borrowing Costs

The Authority does not capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset as permitted by the Code.

Interest payable on external loans is included in the accounts in the period to which it relates on a basis which reflects the overall economic effect of the borrowings.

1.26 Interest in Companies and Other Entities

In the Authority’s accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

1.27 Current Assets Held for Sale

In order for an asset to be recognised as Held for Sale, the asset must be available for immediate sale in its present condition, the sale must be highly probable, the asset must be actively marketed and the sale completed within one year from the date of classification. The asset is recognised at the lower of its carrying value (market value) less costs to sell on reclassification.

1.28 Disposals

When an asset is disposed of, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure as part of the gain or loss on disposal (i.e netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

INOTE 1 – ACCOUNTING POLICIES (continued)

1.29 Capital Receipts

When the Authority sells an asset, legislation prescribes the use of the proceeds received.

All capital receipts that belong to the Council's Fund are 100% usable and set aside is no longer necessary. The receipts are held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure.

1.30 Accounting for the costs of the Carbon Reduction Commitment Scheme

The authority is subject to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. Authorities participating in the scheme are required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. Gwynedd Council was below the relevant threshold in respect of 2014/15.

1.31 Cost Relating to Unequal Pay Claims

A provision is contained within the Authority's Accounts in respect of the cost of Equal Pay Claims and reflects the best estimate of potential cost as at 31 March 2015.

1.32 Landfill Allowance Schemes

The Landfill Allowances Scheme operates under the Landfill Allowances Scheme (Wales) Regulations 2004. Local Authorities are allocated annual allowances for the maximum amount of biodegradable municipal waste that can be sent to landfill. For each ton of biodegradable municipal waste sent to landfill in excess of the allowance a Local Authority may be liable to a penalty of £200 per ton. It is not a "cap and trade" scheme since landfill allowances are not tradable in Wales. For this reason, landfill allowances are not recognised as assets on the Balance Sheet. Gwynedd Council was within its landfill allowance in 2014/15.

1.33 Service Concession Arrangements

Service Concession Arrangements, otherwise known as PFI Schemes, are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor for the duration of the contract but where the assets transfer to the Authority at the end of the period without any additional cost. The Authority controls the service that is provided and are able to control who else is able to use the facility. The cost of using the facility is agreed with the Company before setting the agreement through a Competitive Dialogue process.

1.34 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet, the assets that it controls and the liabilities it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Authority and other venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts only for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of interests in the joint venture and income that it earns from the venture.

1.35 Other Policies

Gwynedd Council has policies in respect of the following, but they are not considered material for the 2014/15 financial year:

- Intangible Assets
- Contingent Assets
- Foreign Currency Conversion.

NOTE 2 – CHANGE IN ACCOUNTING POLICY

There are no changes in the accounting policies during the 2014/15 financial year.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments during 2014/15.

NOTE 4 – ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 has introduced several changes in accounting policies which will be required from 1 April 2015. The changes are as follows:

IFRS 13 Fair Value Measurement

This standard provides a consistent definition of fair value and enhanced disclosure requirements. The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13.

IFRIC 21 Levies

This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if the threshold is reached, or both.

Annual Improvements to IFRSs 2011-2013 Cycle - These improvements are minor, principally providing clarification.

It is not likely that the above changes will have a material effect on Gwynedd Council's Statement of Accounts.

NOTE 5 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make judgments, estimates and assumptions relating to complex transactions, those involving uncertainty about future events and also the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The judgments, estimates and associated assumptions applied are based on current proper practices, historical experience and other factors, including historical, professional assessment, current trends, local factors and actual future projections and assumptions that are considered to be relevant.

In recent years there has been some uncertainty about future levels of funding from Welsh Government relating to revenue and capital grants. This issue forms an important part of the Council's continually revised financial strategy, and where all known and forecasted factors are given due consideration.

All available and related information is sourced and applied in assessing and determining the position, which is particularly critical when considering such matters as the revaluation, depreciation and impairment of assets, actuarial valuation of pension fund assets and liabilities, earmarked reserves, provisions and contingent liability. However, because these issues cannot be determined with certainty, actual results may subsequently differ from those estimates. The estimates and underlying assumptions are continually reviewed.

NOTE 6 – ASSUMPTIONS MADE ABOUT FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because certain balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

NOTE 6 – ASSUMPTIONS MADE ABOUT FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (continued)

The following items in the Authority's Balance Sheet at 31 March 2015 may be considered to be a significant risk (in terms of certainty in estimation of value), with the possibility of material adjustment in the forthcoming financial year:

- **Property, Plant and Equipment** – Assets are depreciated over their useful life in accordance with standard accounting and associated practices. Any difference between the depreciation applied and actual deterioration to assets will be naturally reflected in future spending patterns. The current economic climate brings with it uncertainties for councils in their ability to sustain the necessary spending on repair and maintenance. This obviously would have implications on asset life. Land and buildings are revalued at least every 5 years, and a number of judgements are required to be made as part of the revaluation and impairment assessment process. This brings with it uncertainties, and assumptions have to be made and responded to accordingly. Where necessary, any resultant long term implications would be incorporated into our financial strategy. Information relating to Property, Plant and Equipment is contained in Note 15.
- **Provisions** – Various separate provisions, the basis of which have been individually assessed from the latest information available, are contained within these accounts as detailed in Note 22, and include provisions for items such as Equal Pay, Landfill Sites, and certain insurance liability aspects. We are unable to confirm the accuracy of the provisions until such matters are concluded.
- **Pension Liability** – The Pension Liability position as contained within the accounts is based on a number of complex assessments and judgments and varying profiles such as discount rate used, projected salary levels, changes in retirement ages, mortality rates and expected returns on pension fund assets, as provided by Actuaries engaged by the Council. Further details are contained in Note 39 and 40.
- **Doubtful Debts Impairment** – A specific impairment level policy in respect of doubtful debts is contained within the accounts. The impairment level is reviewed regularly in order to respond to any changes in the economic climate, and necessary action taken as appropriate within the accounts to respond accordingly. Doubtful Debts impairments are contained within the figures for Short Term Debtors contained in Note 18.

NOTE 7 – MATERIAL ITEMS OF INCOME AND EXPENSE

Material items of Income & Expense include the following:-

- A movement of £74m on pensions, on the remeasurements of the net defined benefit liability/ (assets), relating to pensions, in line with Gwynedd Pension Fund's Actuary's assessment (Note 24).
- A net increase of £28m following full revaluation of the Council's Land and Buildings on 1 April 2014 (Note 15 & 24).
- A reduction of £11m in the value of asset impairment, relating to the level of expenditure on capital schemes in 2014/15 in comparison with 2013/14 (Note 15).

NOTE 8 – EVENTS AFTER THE BALANCE SHEET DATE

There are no known post balance sheet events.

NOTE 9 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

| 2014/15 | Usable Reserves | | | |
|---|----------------------------------|--------------------------------------|--------------------------------------|---|
| | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Movement in Unusable Reserves £'000 |
| ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS | | | | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | |
| Charges for depreciation and impairment of non current assets | (16,564) | 0 | 0 | 16,564 |
| Capital grants and contributions applied | 13,990 | 0 | 1,676 | (15,666) |
| Revenue expenditure funded from capital under statute | (4,833) | 0 | 0 | 4,833 |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (229) | 0 | 0 | 229 |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | |
| Revenue provision for the financing of supported capital investment | 5,692 | 0 | 0 | (5,692) |
| Revenue provision for the financing of unsupported capital investment | 1,454 | 0 | 0 | (1,454) |
| Capital expenditure charged against the General Fund and HRA balances | 6,430 | 0 | 0 | (6,430) |
| Adjustments involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 2 | (2,192) | 0 | 2,190 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 1,873 | 0 | (1,873) |
| Principal repayment of debt | 0 | (2) | 0 | 2 |
| Adjustment primarily involving the Financial Instruments Adjustment Account: | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 64 | 0 | 0 | (64) |
| Adjustments primarily involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 40) | (26,533) | 0 | 0 | 26,533 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 20,198 | 0 | 0 | (20,198) |
| Adjustment primarily involving the Accumulated Absences Account: | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (53) | 0 | 0 | 53 |
| Total Adjustments | (382) | (321) | 1,676 | (973) |

NOTE 9 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (continued)

| 2013/14 | Usable Reserves | | | |
|---|----------------------------------|--------------------------------------|--------------------------------------|---|
| | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Movement in Unusable Reserves £'000 |
| ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS | | | | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | |
| Charges for depreciation and impairment of non current assets | (25,426) | 0 | 0 | 25,426 |
| Capital grants and contributions applied | 21,352 | 0 | (2,363) | (18,989) |
| Revenue expenditure funded from capital under statute | (6,222) | 0 | 0 | 6,222 |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 288 | 0 | 0 | (288) |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | |
| Revenue provision for the financing of supported capital investment | 5,731 | 0 | 0 | (5,731) |
| Revenue provision for the financing of unsupported capital investment | 966 | 0 | 0 | (966) |
| Capital expenditure charged against the General Fund and HRA balances | 10,516 | 0 | 0 | (10,516) |
| Adjustments involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 28 | (1,542) | 0 | 1,514 |
| Use of the Capital Receipts Reserve to finance repayment of debt | 0 | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 1,377 | 0 | (1,377) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals | 0 | 0 | 0 | 0 |
| Principal repayment of debt | 0 | (2) | 0 | 2 |
| Adjustment primarily involving the Financial Instruments Adjustment Account: | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 11 | 0 | 0 | (11) |
| Adjustments primarily involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 40) | (26,345) | 0 | 0 | 26,345 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 19,727 | 0 | 0 | (19,727) |
| Adjustment primarily involving the Accumulated Absences Account: | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (564) | 0 | 0 | 564 |
| Total Adjustments | 62 | (167) | (2,363) | 2,468 |

NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES

School Balances

This sum is represented by the element of balances released under the delegation of budgets directly to schools which remained unspent at the end of the financial year:

| 2014/15 | Balance | | Transfers | | Balance |
|-----------------|---------------------|---------------------|------------|----------------|---------------------|
| | 31 March 2014 | between reserves | in | out | 31 March 2015 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| School Balances | 3,777 | 0 | 994 | (1,275) | 3,496 |
| Total | 3,777 | 0 | 994 | (1,275) | 3,496 |

The note below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES (continued)

Earmarked Reserves

| 2014-15 | Balance | | Transfers | | Balance |
|---|------------------------------|------------------------------|---------------|-----------------|------------------------------|
| | 31 March 2014 £'000 | between reserves £'000 | in £'000 | out £'000 | 31 March 2015 £'000 |
| Renewals Reserves | 2,184 | 0 | 3,071 | (2,471) | 2,784 |
| Capital Reserves | 10,064 | (88) | 1,783 | (749) | 11,010 |
| Insurance Reserves | 3,463 | (1,348) | 789 | (846) | 2,058 |
| Services Fund | 4,973 | (1,571) | 1,838 | (960) | 4,280 |
| Convergence Programme Fund | 1,111 | 0 | 0 | (313) | 798 |
| Redundancy Costs to Realise Savings Reserve | 2,434 | 2,928 | 60 | (1,141) | 4,281 |
| Central Training | 612 | (45) | 0 | (164) | 403 |
| Communication Centre Reserve | 34 | 0 | 0 | (15) | 19 |
| Education Services Reserves | 1,125 | 0 | 495 | (416) | 1,204 |
| Economy and Community Reserves | 138 | (55) | 21 | (9) | 95 |
| Highways and Municipal Reserves | 2,159 | (900) | 250 | (34) | 1,475 |
| Waste Developments Reserve | 272 | 0 | 0 | (122) | 150 |
| Gwynedd Consultancy Reserves | 401 | 0 | 0 | (16) | 385 |
| Regulatory Reserves | 876 | (103) | 84 | (99) | 758 |
| Major Maintenance Work on County Roads Fund | 120 | 0 | 120 | (120) | 120 |
| Care - Other Reserves | 102 | 100 | 74 | (10) | 266 |
| Ffordd Gwynedd Fund | 244 | 0 | 54 | 0 | 298 |
| Invest to Save Fund | 2,534 | (2,569) | 166 | (131) | 0 |
| Invest to Save Fund - Carbon Reduction Plan | 1,145 | 0 | 14 | (590) | 569 |
| Transformation Fund | 7,185 | (6,146) | 154 | (1,193) | 0 |
| Transformation / Invest to Save Fund | 0 | 11,371 | 0 | 0 | 11,371 |
| Committed Revenue Grants Fund | 311 | 0 | 140 | (158) | 293 |
| Capital Reserve to Realise Savings | 209 | (209) | 0 | 0 | 0 |
| Contracts Tendering Fund | 674 | 0 | 0 | (157) | 517 |
| Housing Water and Sewerage Services Fund | 744 | 0 | 0 | (63) | 681 |
| Housing Environmental Warranty | 480 | 0 | 0 | 0 | 480 |
| Savings Programme Reserve | 946 | (946) | 0 | 0 | 0 |
| Information Technology Reserve | 374 | 0 | 41 | (321) | 94 |
| Restoration Fund | 346 | (250) | 0 | (96) | 0 |
| Preparatory Work for European Grant Funding Schemes | 150 | 0 | 0 | 0 | 150 |
| Pension Deficit Reserve (Pre Housing Revenue Account) | 1,727 | 0 | 0 | 0 | 1,727 |
| Supporting the 2014/15 Financial Strategy Reserve | 579 | (579) | 0 | 0 | 0 |
| Welfare Fund | 444 | (244) | 452 | 0 | 652 |
| EDRMS Fund | 288 | 0 | 0 | (96) | 192 |
| Partnering Arrangements | 0 | 514 | 360 | (176) | 698 |
| Various Other Reserves | 1,377 | 140 | 764 | (1,513) | 768 |
| Total | 49,825 | 0 | 10,730 | (11,979) | 48,576 |

The above figures reflect the earmarked reserves closing balance as at 31 March 2015, but does not reflect the level of commitments against them. Details are given below of the Council's main specific reserves.

NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES (continued)

- (i) The Renewals Reserve is used by the various departments of the Council to replace vehicles and equipment.
- (ii) The Capital Reserve represents resources already committed to finance part of the Council's Capital Programme.
- (iii) Gwynedd Council does not insure all risks with external insurers but instead it has established an internal reserve to meet those uninsured risks. The balance on the Insurance Reserve also includes an element relating to the relevant insurance requirements of the former Gwynedd County Council (pre 1996) and which is administered by Gwynedd Council.
- (iv) The Services Fund represents the element of slippages and underspend that service departments have the right to carry forward for use in the subsequent financial year, other relevant specific budgets and one-off budgets that extend over more than one year.
- (v) Convergence Programme Fund - fund created for corresponding capital or revenue contribution by the Council in relation to revenue and capital projects within the Convergence Programme.
- (vi) Redundancy Costs to Realise Savings Reserve – provision for financing redundancy costs to realise budgetary savings.
- (vii) Central Training – relates to the Council's staff training programme.
- (viii) Communication Centre Reserve – sums set aside towards developing the Communication Centre.
- (ix) Education Services Reserves – includes sums set aside to respond to related financial problems with 'Integration' requirements, changeable demands in 'Out of County – Special Educational Needs', 'Supporting Schools' and the 'Schools Loans Scheme'.
- (x) The Economy and Community Reserves include a number of balances relating to schemes mainly operating on a partnership basis, where the scheme balances must be accounted for separately.
- (xi) The Highways and Municipal Reserves mainly includes sums set aside to protect situations of uneven income and expenditure (equalisation accounts) and likely requirements from contracts.
- (xii) The Waste Developments Reserve is for relevant commitments and developments in the waste field including our commitment to the North Wales Waste Partnership.
- (xiii) Gwynedd Consultancy Reserves – includes amounts set aside to protect against situations of uneven expenditure on some works and possible employment requirements resulting from changes in the Consultancy Service's work programme.
- (xiv) Regulatory Reserves – includes a number of balances relating to schemes operating mainly on a partnership basis, and where the scheme balances must be accounted for separately, together with specific requirements relating to the Unitary Development Plan.
- (xv) Major Maintenance Work on County Roads Fund – to support the cost of large maintenance work on county roads.
- (xvi) Other Care Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- (xvii) Ffordd Gwynedd Fund – to aid the business transformation process, realise savings and assist in achieving the aims and objectives of "Ffordd Gwynedd".
- (xviii) Invest to Save Fund – provision for the investment in various plans to realise permanent financial savings, and now forms part of the Transformation / Invest to Save Fund.

NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES (continued)

- (xix) Invest to Save Fund – Carbon Reduction Plan – partly funding the Carbon Reduction Plan programme of works to reduce carbon emissions whilst generating monetary revenue savings for the Council.
- (xx) Transformation Fund – provision to change the Council’s internal procedures to be more effective and efficient, and now forms part of the Transformation / Invest to Save Fund.
- (xxi) Transformation / Invest to Save Fund – in order to transform the Council’s internal procedures to be more effective and efficient, and to invest in various schemes to realise permanent financial savings.
- (xxii) Committed Revenue Grants Fund – includes revenue grants received and committed for future use.
- (xxiii) Capital Reserve to realise savings – provision to support capital plans that will realise permanent financial revenue savings, and now forms part of the Transformation / Invest to Save Fund.
- (xxiv) Contracts Tendering Fund – in response to uneven spending situations as a result of the tendering process for contracts.
- (xxv) Housing Water and Sewerage Services Fund – amounts reserved for requirements relating to sewerage procedures, water piping and sewage treatment work on old council housing estates, which were not adopted by Welsh Water.
- (xxvi) Housing Environmental Warranty – reserved for possible implications as a result of giving environmental warranties to Cartrefi Cymunedol Gwynedd, in connection with specific and special circumstances that relate to environmental plans on the land of old council housing estates.
- (xxvii) Savings Programme Reserve – strategic financing provision to assist and give the Council some flexibility with regards to the essential savings programme in the future, and now forms part of the Transformation / Invest to Save Fund.
- (xxviii) Information Technology Reserve – renewals fund in order to respond to future uneven expenditure patterns.
- (xxix) Restoration Fund – provision towards the cost of the restoration work following flood damage to roads, bridges, etc.
- (xxx) Preparatory Work for European Grant Funding Schemes – provision towards the cost of preparing business cases to attract European funding sources and grants.
- (xxxi) Pension Deficit Reserve (Pre Housing Revenue Account) – provision set aside to reduce the unavoidable pension liability inherited in transferring the housing stock.
- (xxxii) Supporting the 2014/15 Financial Strategy Reserve – a fund established to assist and support the financial strategy for 2014/15.
- (xxxiii) Welfare Fund - provision to respond to uneven patterns in the related requirements.
- (xxxiv) Electronic Document and Records Management System (EDRMS) - provision for the work programme related to the purchase, implementation and develop the documents and records management system.
- (xxxv) Partnering Arrangements – includes amounts allocated in relation to various requirements of partnering and joint working.
- (xxxvi) Various Other Reserves – includes amounts set aside to meet a variety of other commitments.

NOTE 11 – OTHER OPERATING EXPENDITURE

| 2013/14 | | 2014/15 |
|----------------|--|----------------|
| £'000 | | £'000 |
| 1,507 | Community Councils Precepts | 1,599 |
| | Levies | |
| 10,908 | Police & Crime Commissioner North Wales | 11,305 |
| 5,508 | North Wales Fire Authority | 5,588 |
| 1,153 | Snowdonia National Park Authority | 1,053 |
| 68 | Local Drainage Boards | 68 |
| 17,637 | | 18,014 |
| (288) | (Gains)/losses on the disposal of non-current assets | 229 |
| 18,856 | Total | 19,842 |

NOTE 12 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 2013/14 | | 2014/15 |
|----------------|---|----------------|
| £'000 | | £'000 |
| 6,476 | Interest payable and similar charges | 6,591 |
| 7,556 | Net interest on the net defined benefit liability (asset) | 7,369 |
| (445) | Interest receivable and similar income | (474) |
| 13,587 | Total | 13,486 |

NOTE 13 – TAXATION AND NON SPECIFIC GRANT INCOME

| 2013/14 | | Note | 2014/15 |
|------------------|----------------------------------|-------------|------------------|
| £'000 | | | £'000 |
| (66,095) | Council Tax Income | <i>13a</i> | (68,525) |
| (38,209) | Non Domestic Rates | <i>13b</i> | (38,991) |
| (144,714) | Non-ringfenced Government Grants | 33 | (137,255) |
| (17,913) | Capital Grants and Contributions | 33 | (11,966) |
| (266,931) | Total | | (256,737) |

NOTE 13a - COUNCIL TAX

The Council determines its expenditure requirement for the year and converts it to a Band D Council Tax by dividing this sum by a calculation of the number of properties in each Council Tax band converted into the equivalent number of properties in Band D (The Council Tax Base). The North Wales Police and Crime Commissioner's requirement is then added to this amount to establish the County's Council Tax.

The Council Tax Base for 2014/15 was calculated as follows:-

| CALCULATION OF THE COUNCIL TAX BASE FOR 2014/15 | | | |
|---|---|-----------------------------|-------------------------------------|
| Valuation Bands | Number of Properties following discounts | Statutory Multiplier | Equivalent Band D properties |
| A* | 9 | 5/9 | 4.72 |
| A | 7,230 | 6/9 | 4,820.04 |
| B | 13,236 | 7/9 | 10,294.80 |
| C | 10,535 | 8/9 | 9,364.80 |
| D | 9,209 | 1 | 9,209.32 |
| E | 7,315 | 11/9 | 8,940.08 |
| F | 3,560 | 13/9 | 5,142.58 |
| G | 1,165 | 15/9 | 1,940.83 |
| H | 162 | 18/9 | 324.50 |
| I | 54 | 21/9 | 126.00 |
| Total | | | 50,167.67 |
| Council Tax base after allowing for losses on collection | | | 49,665.99 |

An analysis of the net income accruing to the Council is given below:-

| 2013/14 | | 2014/15 |
|-----------------|------------------------------|-----------------|
| £'000 | | £'000 |
| (66,493) | Council Tax raised | (68,873) |
| 398 | Less Provision for bad debts | 348 |
| (66,095) | | (68,525) |

NOTE 13b - NATIONAL NON-DOMESTIC RATES

National Non-Domestic Rates ("Business Rates") are managed by the Government but local authorities are responsible for their collection and for paying them to a central pool run by the Welsh Government. They subsequently allocate amounts from the pool to Local Authorities, on a population basis.

NOTE 13b - NATIONAL NON-DOMESTIC RATES (continued)

The Government sets the National Non-Domestic rate for the year (47.3p in 2014/15) which is then multiplied by the rateable value of the property. Subject to the effects of transitional arrangements and some other reductions, this is the amount payable by the ratepayer.

At the end of the 2014/15 financial year there were 7,338 properties on the local valuation list in Gwynedd, representing a rateable value of £99,361,487.

An analysis of the net income accruing to the Council from National Non-Domestic Rates is as follows:-

| 2013/14 | | 2014/15 |
|----------------|---|-----------------|
| £'000 | | £'000 |
| (34,716) | National Non-Domestic Rate raised | (35,186) |
| 364 | Cost of Collection allowance | 368 |
| 284 | Provision for Bad Debts | 443 |
| 34,068 | Sum paid to the National Pool | 34,375 |
| 0 | | 0 |
| (38,209) | Receipts from the National Pool | (38,991) |
| (38,209) | Net Income from Non Domestic Rates | (38,991) |

NOTE 14 – BUILDING CONTROL INCOME AND EXPENDITURE ACCOUNT

This account shows the expenditure and income which relate to the building regulations checking and supervision function, including consideration of any enforcement action but not the service of notices under the provisions of the Building Act 1984.

The account is expected to break-even over a three year rolling period, and this requirement is reviewed annually. There was a small surplus in 2014/15 and it can be seen that there is an accumulated surplus over the 3 year period.

| 2014/15 | £'000 |
|---|--------------|
| Total charges income received (excluding VAT) | (479) |
| Total charges expenditure incurred | 478 |
| (Surplus) / Deficit for 2014/15 | (1) |
| (Surplus) / Deficit for 2013/14 | 1 |
| (Surplus) / Deficit for 2012/13 | (10) |
| (Surplus) / Deficit for the last three years | (10) |

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2014/15:

| | Land and Buildings £'000 | Infrastructure £'000 | Vehicles, Plant and Equipment £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets under construction £'000 | Total Property, Plant and Equipment £'000 |
|--|-----------------------------|-------------------------|---|---------------------------|-------------------------|---------------------------------------|---|
| Value | | | | | | | |
| Balance at 1.04.14 | 277,132 | 175,157 | 37,046 | 995 | 2,624 | 12,516 | 505,470 |
| Additions | 6,963 | 7,137 | 4,428 | 35 | 4 | 9,293 | 27,860 |
| Sales | (919) | 0 | (6,548) | 0 | (101) | 0 | (7,568) |
| Transfers | 4,609 | 0 | 0 | 0 | (182) | (4,648) | (221) |
| Revaluation - to Revaluation Reserve | (20,382) | 0 | 0 | 6 | 302 | 0 | (20,074) |
| Revaluation - to Services | (1,686) | 0 | 0 | 0 | 84 | 0 | (1,602) |
| Balance at 31.03.15 | 265,717 | 182,294 | 34,926 | 1,036 | 2,731 | 17,161 | 503,865 |
| Depreciation | | | | | | | |
| Balance at 1.04.14 | 15,236 | 24,901 | 21,922 | 7 | 35 | 2 | 62,103 |
| Depreciation in year | 4,516 | 4,555 | 3,050 | 1 | 24 | 0 | 12,146 |
| Sales | (36) | 0 | (6,407) | 0 | (3) | 0 | (6,446) |
| Transfers | (2) | 0 | 0 | 0 | (23) | (2) | (27) |
| Revaluation | (14,305) | 0 | 0 | 0 | (12) | 0 | (14,317) |
| Balance at 31.03.15 | 5,409 | 29,456 | 18,565 | 8 | 21 | 0 | 53,459 |
| Impairment | | | | | | | |
| Balance at 1.04.14 | 61,536 | 63 | 80 | 230 | 63 | 0 | 61,972 |
| Impairment in year - to Revaluation Reserve | 3,705 | 0 | 0 | 0 | 2 | 0 | 3,707 |
| Impairment in year - to Services | 2,822 | 0 | 0 | 0 | 2 | 0 | 2,824 |
| Sales | (197) | 0 | (12) | 0 | (1) | 0 | (210) |
| Transfers | (20) | 0 | 0 | 0 | 0 | 20 | 0 |
| Revaluation | (32,984) | 0 | 0 | 0 | 0 | 0 | (32,984) |
| Balance at 31.03.15 | 34,862 | 63 | 68 | 230 | 66 | 20 | 35,309 |
| Net Book Value | 225,446 | 152,775 | 16,293 | 798 | 2,644 | 17,141 | 415,097 |
| 31 March 2015 | | | | | | | |
| Net Book Value | 200,360 | 150,193 | 15,044 | 758 | 2,526 | 12,514 | 381,395 |
| 31 March 2014 | | | | | | | |

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

Comparative Movements in 2013/14:

| | Land and Buildings | Infrastructure | Vehicles, Plant and Equipment | Community Assets | Surplus Assets | Assets under construction | Total Property, Plant and Equipment |
|---|--------------------|----------------|-------------------------------|------------------|----------------|---------------------------|-------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Value | | | | | | | |
| Balance at 1.04.13 | 254,200 | 166,267 | 34,077 | 991 | 819 | 12,157 | 468,511 |
| Additions | 15,720 | 8,865 | 4,303 | 4 | 0 | 5,100 | 33,992 |
| Additions - GwyrAD | 4,734 | 0 | 0 | 0 | 0 | 0 | 4,734 |
| Sales | (579) | 0 | (1,334) | 0 | 0 | 0 | (1,913) |
| Transfers | 3,280 | 25 | 0 | 0 | 1,805 | (4,741) | 369 |
| Revaluation | (223) | 0 | 0 | 0 | 0 | 0 | (223) |
| Balance at 31.03.14 | 277,132 | 175,157 | 37,046 | 995 | 2,624 | 12,516 | 505,470 |
| Depreciation | | | | | | | |
| Balance at 1.04.13 | 11,657 | 20,333 | 20,128 | 6 | 27 | 2 | 52,153 |
| Depreciation in year | 3,917 | 4,568 | 2,891 | 1 | 8 | 0 | 11,385 |
| Sales | (23) | 0 | (1,097) | 0 | 0 | 0 | (1,120) |
| Transfers | (192) | 0 | 0 | 0 | 0 | 0 | (192) |
| Revaluation | (123) | 0 | 0 | 0 | 0 | 0 | (123) |
| Balance at 31.03.14 | 15,236 | 24,901 | 21,922 | 7 | 35 | 2 | 62,103 |
| Impairment | | | | | | | |
| Balance at 1.04.13 | 46,196 | 63 | 200 | 230 | 58 | 0 | 46,747 |
| Impairment in year - to Revaluation Reserve | 1,588 | 0 | 0 | 0 | 0 | 0 | 1,588 |
| Impairment in year - to Services | 13,450 | 0 | 0 | 0 | 0 | 573 | 14,023 |
| Sales | 0 | 0 | (120) | 0 | 0 | 0 | (120) |
| Transfers | 543 | 0 | 0 | 0 | 5 | (573) | (25) |
| Revaluation | (241) | 0 | 0 | 0 | 0 | 0 | (241) |
| Balance at 31.03.14 | 61,536 | 63 | 80 | 230 | 63 | 0 | 61,972 |
| Net Book Value | 200,360 | 150,193 | 15,044 | 758 | 2,526 | 12,514 | 381,395 |
| 31 March 2014 | | | | | | | |
| Net Book Value | 196,347 | 145,871 | 13,749 | 755 | 734 | 12,155 | 369,611 |
| 31 March 2013 | | | | | | | |

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

The Council's operational Land and Buildings were revalued on 1 April 2014 by the Council's Corporate Property Manager (M.R.I.C.S) in accordance with the policies noted in section 1.17 of Note 1 of the Accounting Policies. Refer to this note also for the basis of depreciation on various categories of assets.

14 Church Schools are used in the education service and are not shown in the table above as they are not owned by the Council. The Council is responsible for their repair and maintenance but the amounts are not significant. For information purposes, the new Cae Top School in Bangor is currently regarded as a Council owned asset in our accounts, and not a church school. The legal status of this asset is subject to a legal review which may affect its treatment in future accounts.

The sources of finance for the assets acquired during the year are shown with the information on capital expenditure in the explanatory foreword.

Within "Assets under Construction", there is an element that relates to Pont Briwet. This amount only reflects Gwynedd Council's proportion of the project construction costs (based on an estimated split of the road and the rail elements of the project. This split currently stands at 41% road element (£2.91m in 2014/15 and a total of £6.67m) and 59% rail element).

Capital Commitments

Significant commitments under capital contracts at 31 March 2015 were as follows:

| | Sum | Payments | Balance |
|--------------------------------|--------------|-----------------|----------------|
| | £'000 | to date | £'000 |
| | | £'000 | |
| New Hafod Lon School | 11,650 | 211 | 11,439 |
| Briwet Bridge * | 16,450 | 12,406 | 4,044 |
| Bro Llifon School | 3,795 | 1,544 | 2,251 |
| Welsh National Sailing Academy | 4,198 | 2,468 | 1,730 |

* Since Gwynedd Council is lead body on this project (together with Network Rail), the capital commitment outstanding and equivalent funding reflects the total cost of this project and not just Gwynedd Council's element.

NOTE 16 – INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

| | 2013/14 | 2014/15 |
|--|---------|---------|
| | £'000 | £'000 |
| Rental income from investment property | 0 | 6 |
| Direct operating expenses arising from investment property | 0 | 0 |
| Net gain / (loss) | 0 | 6 |

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

| | 2013/14 | 2014/15 |
|---|------------|------------|
| | £'000 | £'000 |
| Balance 1 April | 824 | 100 |
| Net gains /(losses) from fair value adjustments | 0 | 16 |
| <u>Transfers:</u> | | |
| to/(from) Property, Plant and Equipment | (724) | 131 |
| Balance 31 March | 100 | 247 |

NOTE 17 – FINANCIAL INSTRUMENTS

(a) Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- overdraft with Barclays Bank plc
- trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following three classifications:

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash
- bank accounts

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

- fixed term deposits with banks and building societies
- impaired investments in Icelandic banks
- trade receivables for goods and services delivered

Available for sale financial assets (those that are quoted in an active market) comprising:

- money market funds and other collective investment schemes
- certificates of deposit issued by banks and building societies
- bonds issued by multilateral development banks and UK companies

Assets held at fair value through profit and loss comprising:

- equity investment in a local waste company

(b) Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

| Financial Liabilities | Long Term | | Short Term | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2014 £'000 | 31 March 2015 £'000 | 31 March 2014 £'000 | 31 March 2015 £'000 |
| Loans at amortised cost: | | | | |
| Principal sum borrowed | 111,215 | 111,108 | 1,193 | 214 |
| Accrued interest | 0 | 0 | 691 | 690 |
| Total Borrowing | 111,215 | 111,108 | 1,884 | 904 |
| Loans at amortised cost: | | | | |
| Bank overdraft | 0 | 0 | 19,496 | 21,397 |
| Total Cash Overdrawn | 0 | 0 | 19,496 | 21,397 |
| Liabilities at amortised cost: | | | | |
| Trade Payables | 100 | 49 | 0 | 0 |
| Finance leases | 2,372 | 2,253 | 0 | 0 |
| Total other Long Term Liabilities | 2,472 | 2,302 | 0 | 0 |
| Liabilities at amortised cost: | | | | |
| Trade Payables | 0 | 0 | 59,298 | 64,565 |
| Finance Leases | 0 | 0 | 112 | 119 |
| Included within Creditors* | 0 | 0 | 59,410 | 64,684 |
| Total Financial Liabilities | 113,687 | 113,410 | 80,790 | 86,985 |

* The short term creditors line on the Balance Sheet includes £1,669,000 (£3,881,000 at 31 March 2014) creditors (Note 21) that do not meet the definition of a financial liability.

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

| Financial Assets | Long Term | | Short Term | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2014 £'000 | 31 March 2015 £'000 | 31 March 2014 £'000 | 31 March 2015 £'000 |
| Loans and Receivables: | | | | |
| Principal at amortised cost | 17 | 17 | 27,000 | 37,002 |
| Accrued interest | 0 | 0 | 83 | 234 |
| Available for sale investments: | | | | |
| Principal at amortised cost | 60 | 1,173 | 0 | 0 |
| Total Investments | 77 | 1,190 | 27,083 | 37,236 |
| Loans and Receivables: | | | | |
| Cash | 0 | 0 | 61 | 60 |
| Cash equivalents at amortised cost | 0 | 0 | 20,825 | 18,420 |
| Total Cash and Cash Equivalents | 0 | 0 | 20,886 | 18,480 |
| Loans and Receivables: | | | | |
| Trade Receivables | 4,449 | 4,862 | 20,021 | 18,161 |
| Included in Debtors* | 4,449 | 4,862 | 20,021 | 18,161 |
| Total Financial Assets | 4,526 | 6,052 | 67,990 | 73,877 |

* The short term debtors line on the Balance Sheet includes £24,196,000 (£32,113,000 at 31 March 2014) debtors (Note 18) that do not meet the definition of a financial asset.

Material Soft Loans

Local Authorities are allowed to make loans for policy reasons rather than as financial instruments and these loans may be interest free or at rates below prevailing market rates. Where loans are advanced at below market rates, they are classed as “Soft Loans”.

The fair values of such a soft loan are less than the amount of the cash lent. The fair value of a loan at nil interest rate or below the prevailing market rate is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument. The sum by which the amount lent exceeds the fair value of the loan is charged to the Income and Expenditure Account. The 2014/15 Code of Practice sets out specific accounting and disclosure requirements for soft loans. During 2014/15 Gwynedd Council identified the following “soft loans”:

- Deferred Payments on charges due from people under care (amount outstanding at 31.03.15 £3,234,042)
- Car and Bike Loans to employees (amount outstanding at 31.03.15 £1,016,266)

It has been determined that the few “soft” loans that the Council has require no separate disclosure, as they are de-minimis.

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends to settle on a net basis, or to realise the assets and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet. The Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

| | 2013/14 | | | 2014/15 | | |
|------------------------------------|-------------------------------|------------------------------------|--|-------------------------------|------------------------------------|--|
| | Gross assets (liabilities) | (Liabilities) assets set off | Net position on balance sheet | Gross assets (liabilities) | (Liabilities) assets set off | Net position on balance sheet |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Bank accounts in credit | 50,206 | (50,206) | 0 | 3,119 | (3,119) | 0 |
| Total Financial Assets | 50,206 | (50,206) | 0 | 3,119 | (3,119) | 0 |
| Bank overdraft | (69,702) | 50,206 | (19,496) | (24,516) | 3,119 | (21,397) |
| Total Financial Liabilities | (69,702) | 50,206 | (19,496) | (24,516) | 3,119 | (21,397) |

(c) Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items:

| | Financial Liabilities | Financial Assets | |
|---|---|--------------------------|------------------|
| | Liabilities measured at amortised cost | Loans and Receivables | Total 2014/15 |
| | £'000 | £'000 | £'000 |
| Interest expense | 6,585 | 0 | 6,585 |
| Interest payable and similar charges | 6,585 | 0 | 6,585 |
| Interest income | 0 | (418) | (418) |
| Interest and investment income | 0 | (418) | (418) |
| Net (gain) / loss for the year | 6,585 | (418) | 6,167 |

(d) Financial Instruments - Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2015, using the following assumptions:

- PWLB loans have been discounted at the published interest rates for new PWLB certainty rate loans with an identical remaining term to maturity arranged on 31st March.
- other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- no early repayment or impairment is recognised.

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

- the fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount.
- In the case of deferred liabilities (such as finance leases) the authority deems the carrying amount to be a reasonable approximation of the fair value.

| | Carrying Amount 31 March 2014 £'000 | Fair Value 31 March 2014 £'000 | Carrying Amount 31 March 2015 £'000 | Fair Value 31 March 2015 £'000 |
|------------------------------------|--|---|--|---|
| Financial Liabilities: | | | | |
| Loans borrowed | (113,099) | (140,550) | (112,012) | (166,103) |
| Finance leases | (2,484) | (2,484) | (2,372) | (2,372) |
| Trade Payables | (59,298) | (59,298) | (64,565) | (64,565) |
| Total Financial Liabilities | (174,881) | (202,332) | (178,949) | (233,040) |
| Financial Assets: | | | | |
| Long term investments | 77 | 77 | 1,190 | 1,190 |
| Short term investments | 27,000 | 27,083 | 37,002 | 37,227 |
| Trade Receivables | 20,021 | 20,021 | 18,161 | 18,161 |
| Total Financial Assets | 47,098 | 47,181 | 56,353 | 56,578 |

The fair value of long-term liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

The Council's investment portfolio at the Balance Sheet date consisted almost entirely of term deposits with Banks and Building Societies, and call/notice account deposits. The maturity dates of these investments were all within 12 months of the Balance Sheet date. The Council has one longer dated covered bond maturing in 2018.

During 2008/09 the Council made a deposit of £4m with Heritable Bank which was a UK registered bank under Scottish Law. The company was placed in administration on 7 October 2008. The Council has received a return of £3,778,353 equating to 94% from the administrators up to 31 March 2014.

No distributions were received in 2014/15. Notice has been received that a further dividend will be paid in August 2015, although the amount is not yet known. The administration is ongoing, but it is likely that the full amount should eventually be recovered.

(e) Financial Instruments - Risks

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Welsh Government's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

- *Credit Risk:* The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. During 2014/15 these include commercial entities with a minimum long-term credit rating of A-, the UK government, and other local authorities without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

During 2014/15 a limit of 10% of the total portfolio was placed on the amount that can be invested with a single counterparty (reduced to £1m for some building societies). The Council also set a total group investment limit of 10% for institutions that are part of the same banking group. No more than £30m in total could be invested for a period longer than one year.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £37m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

The Council does not hold collateral against any investments.

The tables below summarise the credit risk exposures of the Council's investment portfolio by credit rating:

| Credit Rating | Short term | |
|--------------------------|---------------|---------------|
| | 31 March 2014 | 31 March 2015 |
| | £'000 | £'000 |
| AAA | 0 | 0 |
| AA+ | 0 | 0 |
| AA | 0 | 0 |
| AA- | 10,000 | 22,485 |
| A+ | 0 | 7,000 |
| A | 37,825 | 24,937 |
| A- | 0 | 0 |
| Unrated | 0 | 1,000 |
| Total Investments | 47,825 | 55,422 |

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

| Credit Rating | Long Term | |
|--------------------|---------------|---------------|
| | 31 March 2014 | 31 March 2015 |
| | £'000 | £'000 |
| AAA | 0 | 0 |
| AA+ | 0 | 0 |
| AA | 0 | 0 |
| AA- | 0 | 0 |
| A+ | 0 | 0 |
| A | 0 | 0 |
| A- | 0 | 1,121 |
| Unrated | 0 | 0 |
| Total | 0 | 1,121 |
| Investments | 0 | 1,121 |

Trade Receivables

The Council also has a number of longer term debtors including car loans to employees and mortgages to members of the public. The car loans are considered to be low risk due to the ability to deduct repayments of car loans from employees' salaries, reciprocal arrangements with other local authorities for any staff transferring with outstanding car loans, specific arrangements for unpaid loans and normal debt recovery procedures for any employees who leave local government employment. The mortgages are low risk due to the first charge held by the Council on mortgaged properties.

A small number and value of long term loans to local companies and organisations were inherited by the Council from former councils. Only one of these loans is now outstanding and the payment record is excellent.

The Council has launched a Business Loan Fund for small and medium sized businesses within Gwynedd. The interest rates charged on such loans is commensurate with the higher credit risk involved in these types of loans.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourable interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 25% of the Council's borrowing matures in any one financial year.

The maturity analysis of the principal sums borrowed is as follows:

| Time to maturity (years) | 31 March | 31 March |
|--------------------------|----------------|----------------|
| | 2014 | 2015 |
| | £'000 | £'000 |
| Less than 1 year | 1,193 | 214 |
| Over 1 but not over 2 | 199 | 1,981 |
| Over 2 but not over 5 | 4,625 | 4,657 |
| Over 5 but not over 10 | 8,069 | 11,451 |
| Over 10 but not over 20 | 39,305 | 34,003 |
| Over 20 but not over 30 | 15,464 | 15,464 |
| Over 30 but not over 40 | 0 | 0 |
| Over 40 | 27,352 | 27,352 |
| Uncertain date* | 16,200 | 16,200 |
| Total | 112,407 | 111,322 |

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

* The Council has £16.2m of “Lender’s option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise.
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- investments at variable rates – the interest income credited will rise.
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2015, 100% of net principal borrowed (*i.e.* debt net of investments) was exposed to fixed rates and 0% to variable rates.

If all interest rates had been 1% higher or lower (with all other variables held constant) the financial effect would be:

| | 1% higher £'000 | 1% lower £'000 |
|--|-----------------------|----------------------|
| Change in interest payable on variable rate borrowings | 0 | 0 |
| Change in interest receivable on variable rate investments | 150 | (71) |
| Impact on Surplus or Deficit on the Provision of Services | 150 | (71) |
| Decrease in fair value of fixed rate investment assets | 0 | 0 |
| Impact on Other Comprehensive Income and Expenditure | 0 | 0 |
| Decrease in fair value of fixed rate borrowings / liabilities* | (21,085) | 21,085 |

*No impact on the Surplus or Deficit on the Provision of Services, or Other Comprehensive Income and Expenditure

Market Risks: Price Risk

The market prices of the Council’s fixed rate bond investments and its units in collective investment schemes are governed by prevailing interest rates, and the market risk associated with these instruments is managed alongside interest rate risk.

The Council does not invest in equity shares and therefore is not subject to any price risk. The Council has shares in a Local Authority Waste Disposal Company (LAWDC). The relevant activities have been internalised and the company is being wound up and has, therefore, been classified as an ‘available for sale asset’ and is shown at fair value in the Balance Sheet. A partial settlement payment for the fair value of the shares was received in 2008/09 and 2009/10 and the balance remains. This process cannot be fully completed until specific and related tax invoices are resolved with Her Majesty’s Revenue & Customs.

Market Risks: Foreign Exchange Risk

The Council has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

NOTE 18 – SHORT-TERM DEBTORS

| | Debtors NET of impairment | |
|---------------------------------|---------------------------|---------------|
| | 31 March 2014 | 31 March 2015 |
| | £'000 | £'000 |
| Welsh Government | 19,660 | 14,339 |
| Other Central Government Bodies | 5,206 | 4,408 |
| Other Local Authorities | 6,152 | 6,338 |
| National Health Service | 2,113 | 1,129 |
| Public Corporations and Trading | 45 | 586 |
| Council Tax | 1,927 | 1,831 |
| Other Entities and Individuals | 17,031 | 13,726 |
| Total | 52,134 | 42,357 |

NOTE 19 – CASH AND CASH EQUIVALENTS

Cash comprises cash in hand and demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the authority's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short-term highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents is made up of the following elements at the Balance Sheet date:

| | 31 March 2014 | 31 March 2015 |
|----------------------------------|---------------|----------------|
| | £'000 | £'000 |
| Cash in hand | 14 | 13 |
| Bank current accounts | 47 | 47 |
| Call Accounts | 20,825 | 18,420 |
| Cash and Cash Equivalents | 20,886 | 18,480 |
| Bank overdraft | (19,496) | (21,397) |
| Total | 1,390 | (2,917) |

In order to maximise the returns from Short Term Investments and Cash Deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts and therefore a proportion of the above Short Term Investments (Note 17) and the Call Accounts and Money Market Funds above represent money invested on behalf of the Pension Fund at the balance sheet date. As the Short Term Investments are made in the name of Gwynedd Council, they are shown in full on the Balance Sheet. The Pension Fund element of the Short Term Investments and Cash Deposits was £13.7m (£12.1m at 31 March 2014).

NOTE 20 – ASSETS HELD FOR SALE

| | 2013/14 | 2014/15 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Balance 1 April | 2,905 | 2,488 |
| <u>Assets newly classified as held for sale:</u> | | |
| Property, Plant and Equipment | 1,199 | 283 |
| Expenditure in year | 16 | 2 |
| Revaluation Losses | 0 | (6) |
| Revaluation Gains | 0 | 0 |
| Impairment Losses | (16) | (2) |
| <u>Assets declassified as held for sale:</u> | | |
| Property, Plant and Equipment | (1,062) | (220) |
| Assets sold | (554) | (1,505) |
| Transfers from non-current to current | 0 | 0 |
| Balance 31 March | 2,488 | 1,040 |

NOTE 21 – SHORT-TERM CREDITORS

| | 31 March 2014 | 31 March 2015 |
|---------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Welsh Government | 1,815 | 2,217 |
| Other Central Government Bodies | 4,307 | 4,667 |
| Other Local Authorities | 19,837 | 24,137 |
| National Health Service | 587 | 255 |
| Public Corporations and Trading | 136 | 135 |
| Council Tax | 1,012 | 1,170 |
| Other Entities and Individuals | 35,597 | 33,772 |
| Total | 63,291 | 66,353 |

NOTE 22 – PROVISIONS

The Council sets aside provisions for specific obligations, the amount or timing of which cannot be determined accurately. It is not permitted, under accounting conventions, to make provisions for uneven patterns of expenditure. However, earmarked reserves may be established and these are disclosed in Note 10.

The details below are analysed into short term provisions (within 12 months) and long term provisions (over 12 months). However, the provision level on all related items is reviewed periodically.

| | Balance at 31 March 2014 £'000 | (Addition) / Reduction / Transfer £'000 | Used during the year £'000 | Balance at 31 March 2015 £'000 |
|-------------------------------------|---|--|-------------------------------------|---|
| <u>Short Term Provisions</u> | | | | |
| Waste Sites Provision | (452) | (308) | 483 | (277) |
| Other | (27) | 0 | 20 | (7) |
| Equal Pay | (2,091) | (600) | 21 | (2,670) |
| | (2,570) | (908) | 524 | (2,954) |
| <u>Long Term Provisions</u> | | | | |
| Council Tax Property Transfers | (250) | (250) | 10 | (490) |
| Waste Sites Provision | (7,984) | (127) | 0 | (8,111) |
| Third Party Claims Provision | (188) | 0 | 85 | (103) |
| MMI Insurance Provision | (198) | 0 | 0 | (198) |
| Pension Provisions | 0 | (335) | 0 | (335) |
| Other | (113) | 0 | 0 | (113) |
| | (8,733) | (712) | 95 | (9,350) |
| Total | (11,303) | (1,620) | 619 | (12,304) |

Council Tax Property Transfers Provision - Provision relating to the implications of properties transferring from Council Tax to National Non-Domestic Rates.

Equal Pay Provision – provision relating to the equal pay claims against the Council.

Waste Sites Provision – relates to the capping and aftercare requirements of all of the Council's waste disposal sites.

Third Party Claims Provision – relating to cases of third party claims against the Council.

Municipal Mutual Insurance (M.M.I) Provision – a provision in respect of the insurance liability this Authority inherited and is exposed to in relation to the insurance arrangements of its predecessor Authorities and Municipal Mutual Insurance.

Pension Provision – provision for future pension requirements

Other Provisions – All the other provisions relate to other minor issues.

NOTE 23 – USABLE RESERVES

The Movement in Reserves Statement details the movements in the Authority's usable reserves.

NOTE 24 – UNUSABLE RESERVES

| 31 March 2014 | | 31 March 2015 |
|---------------|--|-----------------|
| £'000 | | £'000 |
| 41,009 | Revaluation Reserve | 62,580 |
| 60 | Available For Sale Financial Instruments Reserve | 85 |
| 169,777 | Capital Adjustment Account | 179,024 |
| (948) | Financial Instruments Adjustment Account | (885) |
| 4 | Deferred Capital Receipts Reserve | 2 |
| (171,689) | Pensions Reserve | (248,721) |
| (3,766) | Accumulated Absences Account | (3,819) |
| 34,447 | Total Unusable Reserves | (11,734) |

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2013/14 | | 2014/15 |
|----------------|---|----------------|
| £'000 | | £'000 |
| 44,043 | Balance 1 April | 41,009 |
| 263 | Upward revaluation of assets | 29,821 |
| (1,692) | Downward revaluation of assets and impairment losses | (6,303) |
| (1,429) | Surplus or deficit on revaluation of assets | 23,518 |
| (1,066) | Difference between fair value depreciation and historical cost depreciation | (1,205) |
| (539) | Accumulated gains on assets sold | (742) |
| (1,605) | Amount written off to the Capital Adjustment Account | (1,947) |
| 41,009 | Balance 31 March | 62,580 |

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

NOTE 24 – UNUSABLE RESERVES (continued)

| 2013/14 £000 | 2014/15 £'000 |
|---|------------------|
| 60 Balance 1 April | 60 |
| 0 Upward revaluation of investments | 33 |
| 0 Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | (8) |
| 0 Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income | 0 |
| 60 Balance 31 March | 85 |

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2013/14 £'000 | 2014/15 £'000 |
|--|------------------|
| 163,466 Balance 1 April | 169,777 |
| <u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u> | |
| (25,426) Charges for depreciation and impairment of non-current assets | (16,564) |
| (6,222) Revenue Expenditure funded from Capital under Statute | (4,833) |
| (686) Adjustment to non-current balance on the sale of assets | (1,676) |
| 1,066 Transfer from Capital Revaluation Reserve | 1,205 |
| <u>Capital financing applied in the year:</u> | |
| 1,377 Capital Receipts | 1,873 |
| 18,989 Grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing | 15,666 |
| 5,731 Revenue provision for the financing of supported capital investment | 5,692 |
| 10,516 Capital expenditure charged in year against the General Fund | 6,430 |
| 966 Capital receipts set aside / Revenue provision for the financing of unsupported capital investment | 1,454 |
| 169,777 Balance 31 March | 179,024 |

NOTE 24 – UNUSABLE RESERVES (continued)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to Financial Instruments were adopted into the SORP (2007 SORP). The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years.

There is a requirement for all premiums and discounts arising from loan extinguishments from 1 April 2006 to be charged to Income and Expenditure in full. Where transactions meet the definition of a modification any premiums or discounts are added to the carrying value of the loan and are then amortised to the Comprehensive Income and Expenditure Statement over the life of the new loan. A modification exists where the terms of the new debt are not “substantially different” from those of the old debt.

In the case of premiums and discounts relating to transactions occurring prior to 1 April 2006, these are classified between those that are overhanging and those that are not overhanging. Overhanging premiums and discounts are those that cannot be associated with a continuing loan. These were written off in full as an adjustment to the General Fund Balances Brought Forward at 1 April 2007.

In the case of overhanging premiums or discounts, or those relating to loan extinguishments, Statutory Provisions exist to override the provisions of the Code of Practice. The charges are reversed out in the Movement in Reserves Statement and premiums and discounts are amortised to Revenue over a period of years. Where premiums and discounts are not overhanging or are linked to transactions meeting criteria of a loan modification the statutory provisions relating to the General Fund do not apply.

Premiums amortised under statutory provisions can be charged to the General Fund over either the remaining life of the original loan or the life of the replacement loan, whichever is the greater period. Discounts must be credited to the General Fund over 10 years or the life of the original loan, whichever is the shorter period.

The transactions reflected in the FIAA for 2014/15 are as follows:

| 2013/14 | | 2014/15 |
|----------------|--|----------------|
| £'000 | | £'000 |
| (959) | Balance 1 April | (948) |
| 46 | Proportion of premiums incurred in previous years charged to General Fund in accordance with statute | 46 |
| (35) | Deferred credit for receipt of charges due from people under care | 17 |
| (948) | Balance 31 March | (885) |

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

NOTE 24 – UNUSABLE RESERVES (continued)

| 2013/14 £'000 | 2014/15 £'000 |
|---|------------------|
| 6 Balance 1 April | 4 |
| (2) Principal repayment of Right To Buy Mortgages | (2) |
| 4 Balance 31 March | 2 |

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2013/14 £'000 | 2014/15 £'000 |
|---|------------------|
| (168,179) Balance 1 April | (171,689) |
| 3,108 Re-measurements of the net defined benefit liability / (assets) | (70,697) |
| (26,345) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (26,533) |
| 19,727 Employer's pensions contributions and direct payments to pensioners payable in the year | 20,198 |
| (171,689) Balance 31 March | (248,721) |

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

NOTE 24 – UNUSABLE RESERVES (continued)

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| (3,201) | Balance 1 April | (3,766) |
| (565) | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (53) |
| (3,766) | Balance 31 March | (3,819) |

NOTE 25a – CASH FLOW STATEMENT: ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|--|------------------|
| (11,386) | Depreciation | (12,145) |
| (14,039) | Impairment and downward valuations | (4,418) |
| (1,031) | (Increase)/Decrease in Creditors | (7,853) |
| 7,059 | Increase/(Decrease) in Debtors | (9,626) |
| 198 | Increase/(Decrease) in Stock | 12 |
| (6,606) | Pension Liability | (6,335) |
| (1,226) | Carrying amount of non-current assets sold | (2,419) |
| (4,986) | Other non-cash items charged to net surplus/deficit on the provision of services | (5,451) |
| (32,017) | | (48,235) |

NOTE 25b – CASH FLOW STATEMENT – ADJUST FOR ITEMS INCLUDED IN THE NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|--|------------------|
| 1,514 | Proceeds from sale of property, plant and equipment, investment property and intangible assets | 2,190 |
| 1,514 | | 2,190 |

NOTE 25c – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|-------------------|------------------|
| (576) | Interest received | (323) |
| 5,864 | Interest paid | 5,749 |

NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

| 2013/14 | | 2014/15 |
|---------------|--|---------------|
| £'000 | | £'000 |
| 31,469 | Purchase of property, plant and equipment, investment property and intangible assets | 31,042 |
| 0 | Purchase of short-term and long-term investments | 143,391 |
| 6,554 | Other payments for investing activities | 5,249 |
| (1,544) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,193) |
| (8,416) | Proceeds from short-term and long-term investments | (132,301) |
| 28,063 | Net cash flows from investing activities | 45,188 |

NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

| 2013/14 | | 2014/15 |
|------------|---|--------------|
| £'000 | | £'000 |
| 92 | Cash payments for the reduction of the outstanding liability relating to Finance Leases | 112 |
| 843 | Repayments of short term and long term borrowing | 1,088 |
| 935 | Net cash flows from financing activities | 1,200 |

NOTE 28 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to Departments.

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement and shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

NOTE 28 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (continued)

| 2014/15 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS | Expenditure | | | Total Expenditure | Income | | Total Income | Net Expenditure |
|--|----------------|----------------|---------------------|----------------------|-------------------|---|------------------|--------------------|
| | Employees | Other | Support Services | | Fees and other | Government Grants and Contributions | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Human Resources | 2,695 | 274 | (82) | 2,887 | (68) | (60) | (128) | 2,759 |
| Finance | 6,791 | 2,086 | 3 | 8,880 | (1,853) | (894) | (2,747) | 6,133 |
| Chief Executive Department | 1,828 | 1,013 | 8 | 2,849 | (169) | (512) | (681) | 2,168 |
| Strategic and Improvement | 4,693 | 3,068 | 8 | 7,769 | (80) | (2,920) | (3,000) | 4,769 |
| Education | 79,990 | 22,992 | 218 | 103,200 | (7,546) | (13,006) | (20,552) | 82,648 |
| Economy and Community | 9,616 | 7,974 | 20 | 17,610 | (6,274) | (3,736) | (10,010) | 7,600 |
| Highways and Municipal | 16,732 | 22,784 | (46) | 39,470 | (12,208) | (3,864) | (16,072) | 23,398 |
| Regulatory | 8,081 | 8,416 | 0 | 16,497 | (4,907) | (3,365) | (8,272) | 8,225 |
| Consultancy | 2,158 | 502 | 0 | 2,660 | (2,336) | (260) | (2,596) | 64 |
| Trunk Roads | 0 | 0 | (224) | (224) | 0 | 0 | 0 | (224) |
| Children and Families | 6,248 | 10,232 | 102 | 16,582 | (339) | (3,165) | (3,504) | 13,078 |
| Adults, Health and Wellbeing | 27,614 | 41,037 | 280 | 68,931 | (13,272) | (10,254) | (23,526) | 45,405 |
| Total items within Departmental Control | 166,446 | 120,378 | 287 | 287,111 | (49,052) | (42,036) | (91,088) | 196,023 |
| Corporate | 1,168 | 22,074 | 23,319 | 46,561 | (737) | (32,139) | (32,876) | 13,685 |
| Total items within Departmental Control and Central Support Services | 167,614 | 142,452 | 23,606 | 333,672 | (49,789) | (74,175) | (123,964) | 209,708 |
| Items within net cost of services, not under departmental control: | | | | | | | | |
| Capital Charges | 0 | 19,574 | 0 | 19,574 | 0 | 0 | 0 | 19,574 |
| Items under departmental control, not included in net cost of services: | | | | | | | | |
| Contributions to Reserves | (363) | (3,331) | 0 | (3,694) | 0 | 0 | 0 | (3,694) |
| Use of Reserves | 0 | 0 | 0 | 0 | 1,785 | 0 | 1,785 | 1,785 |
| Net Cost of Services | 167,251 | 158,695 | 23,606 | 349,552 | (48,004) | (74,175) | (122,179) | 227,373 |
| Other Operating Expenditure | | | | | | | | |
| Precepts and Levies | 0 | 19,613 | 0 | 19,613 | 0 | 0 | 0 | 19,613 |
| (Gains)/Losses on the disposal of Non-current Assets | 0 | 229 | 0 | 229 | 0 | 0 | 0 | 229 |
| Financing and Investment Income and Expenditure | | | | | | | | |
| Interest Payable and Similar Charges | 0 | 6,591 | 0 | 6,591 | 0 | 0 | 0 | 6,591 |
| Net Interest on the Net Defined Benefit Liability/(Asset) | 0 | 0 | 7,369 | 7,369 | 0 | 0 | 0 | 7,369 |
| Interest Receivable and Similar Income | 0 | 0 | 0 | 0 | (474) | 0 | (474) | (474) |
| Taxation and non-specific grant income | | | | | | | | |
| Council Tax | 0 | 0 | 0 | 0 | (68,525) | 0 | (68,525) | (68,525) |
| Net income Non-domestic rates | 0 | 0 | 0 | 0 | (38,991) | 0 | (38,991) | (38,991) |
| Government Grants - Revenue | 0 | 0 | 0 | 0 | 0 | (137,255) | (137,255) | (137,255) |
| Grants and Contributions - Capital | 0 | 0 | 0 | 0 | (170) | (11,796) | (11,966) | (11,966) |
| (Surplus)/ Deficit on the Provision of Services | 167,251 | 185,128 | 30,975 | 383,354 | (156,164) | (223,226) | (379,390) | 3,964 |

NOTE 28 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (continued)

| 2013/14 | Expenditure | | | Total Expenditure | Income | | Total Income | Net Expenditure |
|--|----------------|----------------|------------------|-------------------|------------------|-------------------------------------|------------------|-----------------|
| | Employees | Other | Support Services | | Fees and other | Government Grants and Contributions | | |
| AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS | | | | | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Human Resources | 2,879 | 362 | (23) | 3,218 | (56) | (59) | (115) | 3,103 |
| Finance | 5,262 | 1,292 | 2 | 6,556 | (1,686) | (920) | (2,606) | 3,950 |
| Democracy and Legal | 1,764 | 741 | 1 | 2,506 | (679) | (190) | (869) | 1,637 |
| Customer Care | 6,175 | 2,220 | 129 | 8,524 | (1,356) | (99) | (1,455) | 7,069 |
| Strategic and Improvement | 4,401 | 4,063 | 7 | 8,471 | (72) | (3,723) | (3,795) | 4,676 |
| Education | 79,825 | 25,463 | 246 | 105,534 | (6,761) | (15,827) | (22,588) | 82,946 |
| Economy and Community | 4,731 | 10,440 | 19 | 15,190 | (3,420) | (7,986) | (11,406) | 3,784 |
| Highways and Municipal | 16,032 | 18,327 | (7) | 34,352 | (7,922) | (3,867) | (11,789) | 22,563 |
| Regulatory | 5,682 | 8,948 | 0 | 14,630 | (3,969) | (4,591) | (8,560) | 6,070 |
| Consultancy | 2,191 | 738 | 0 | 2,929 | (2,685) | (226) | (2,911) | 18 |
| Trunk Roads | 0 | 0 | (106) | (106) | (142) | 0 | (142) | (248) |
| Social Services Housing and Leisure | 35,256 | 49,510 | 265 | 85,031 | (14,551) | (11,066) | (25,617) | 59,414 |
| Total items within Departmental Control | 164,198 | 122,104 | 533 | 286,835 | (43,299) | (48,554) | (91,853) | 194,982 |
| Corporate | 1,729 | 19,921 | 24,857 | 46,507 | (1,133) | (33,617) | (34,750) | 11,757 |
| Corporate Management Team | 859 | 70 | 1 | 930 | 0 | (5) | (5) | 925 |
| Total items within Departmental Control and Central Support Services | 166,786 | 142,095 | 25,391 | 334,272 | (44,432) | (82,176) | (126,608) | 207,664 |
| Items within net cost of services, not under departmental control: | | | | | | | | |
| Capital Charges | 0 | 29,744 | 0 | 29,744 | 0 | 0 | 0 | 29,744 |
| Items under departmental control, not included in net cost of services: | | | | | | | | |
| Contributions to Reserves | (329) | (3,293) | 0 | (3,622) | 0 | 0 | 0 | (3,622) |
| Use of Reserves | 0 | 0 | 0 | 0 | 2,121 | 0 | 2,121 | 2,121 |
| Net Cost of Services | 166,457 | 168,546 | 25,391 | 360,394 | (42,311) | (82,176) | (124,487) | 235,907 |
| Other Operating Expenditure | | | | | | | | |
| Precepts and Levies | 0 | 19,144 | 0 | 19,144 | 0 | 0 | 0 | 19,144 |
| (Gains)/Losses on the disposal of Non-current Assets | 0 | 0 | 0 | 0 | (288) | 0 | (288) | (288) |
| Financing and Investment Income and Expenditure | | | | | | | | |
| Interest Payable and Similar Charges | 0 | 6,682 | 0 | 6,682 | (206) | 0 | (206) | 6,476 |
| Net Interest on the Net Defined Benefit Liability (Asset) | 0 | 0 | 7,556 | 7,556 | 0 | 0 | 0 | 7,556 |
| Interest Receivable and Similar Income | 0 | 0 | 0 | 0 | (445) | 0 | (445) | (445) |
| Taxation and non-specific grant income | | | | | | | | |
| Council Tax | 0 | 0 | 0 | 0 | (66,095) | 0 | (66,095) | (66,095) |
| Net income Non-domestic rates | 0 | 0 | 0 | 0 | (38,209) | 0 | (38,209) | (38,209) |
| Government Grants - Revenue | 0 | 0 | 0 | 0 | 0 | (144,714) | (144,714) | (144,714) |
| Grants and Contributions - Capital | 0 | 0 | 0 | 0 | (2,967) | (14,946) | (17,913) | (17,913) |
| (Surplus) Deficit on the Provision of Services | 166,457 | 194,372 | 32,947 | 393,776 | (150,521) | (241,836) | (392,357) | 1,419 |

NOTE 29 – AGENCY SERVICES

The Council operates on an agency basis to prepare some services, and also administers the North and Mid Wales Trunk Road Agency on behalf of the Welsh Government.

In terms of the North and Mid Wales Trunk Road Agency, the principal area of work is managing and maintaining the trunk road network in the North and Mid Wales Council's Partnership region that extends to 1,174 kilometres. The income transactions recovered during the year 2014/15 was £46.2m (£51.91m in 2013/14).

During 2014/15, Gwynedd Council acted as an agent to the Welsh Government's 'Houses into Homes' scheme, by providing interest free loans to owners of empty properties in order to bring the premises back into use, for sale or rent. During 2014/15, loans amounting to £166,200 were allocated and £242,250 was repaid, a net movement of (£76,050) (£159,000 in 2013/14).

NOTE 30 – MEMBERS' ALLOWANCES

The Authority paid the following allowances and expenses to members of the Council during the year:

| 2013/14 | | 2014/15 |
|----------------|------------|----------------|
| £'000 | | £'000 |
| 1,260 | Allowances | 1,260 |
| 65 | Expenses | 71 |
| 1,325 | | 1,331 |

NOTE 31 – OFFICERS’ REMUNERATION

31a. The Accounts and Audit (Wales) Regulations 2014, require the Council to disclose the following information relating to employees appointed as Senior Officers, and whose salary is between £60,000 and £150,000. In compliance with the defined requirements, the pensionable pay, employer’s pension contributions and other employer costs are included below, but the employer’s national insurance contributions are excluded. Included below is the related gross costs, where substantial savings have been made from senior management restructuring of the Council:

| 2013-14 | | | | Chief Officers | | 2014-15 | | | |
|---------|----------------------------------|----------------------|---------|---|---|---------|---------------------------------|----------------------|---------|
| Salary | Employer’s Pension Contributions | Other Employer Costs | Total | | | Salary | Employer’s Pension Contribution | Other Employer Costs | Total |
| £ | £ | £ | £ | | | £ | £ | £ | £ |
| 108,264 | 24,251 | 174,298 | 306,813 | Chief Executive ¹ | } | 53,926 | 12,079 | (20,546) | 45,459 |
| 0 | 0 | 0 | 0 | Chief Executive ² | | 50,992 | 11,422 | 0 | 62,414 |
| 88,960 | 19,927 | 0 | 108,887 | Corporate Director ¹ | | 44,311 | 9,926 | 0 | 54,237 |
| 88,960 | 19,927 | 0 | 108,887 | Corporate Director | | 89,022 | 19,941 | 0 | 108,963 |
| 41,144 | 9,216 | 0 | 50,360 | Corporate Director | | 84,571 | 18,944 | 0 | 103,515 |
| 75,511 | 16,914 | 25,813 | 118,238 | Head of Education ³ | } | 32,795 | 7,021 | 437 | 40,253 |
| 0 | 0 | 0 | 0 | Head of Education ⁴ | | 30,211 | 6,767 | 0 | 36,978 |
| 0 | 0 | 0 | 0 | Head of Education ⁵ | | 20,915 | 4,685 | 0 | 25,600 |
| 73,578 | 16,482 | 0 | 90,060 | Head of Highways and Municipal | | 73,618 | 16,490 | 0 | 90,108 |
| 70,263 | 15,739 | 0 | 86,002 | Head of Finance | | 71,643 | 16,048 | 0 | 87,691 |
| 70,263 | 15,739 | 0 | 86,002 | Head of Economy & Community | | 70,312 | 15,750 | 0 | 86,062 |
| 70,263 | 15,739 | 0 | 86,002 | Head of Adults, Health and Wellbeing | } | 70,312 | 15,750 | 0 | 86,062 |
| 0 | 0 | 0 | 0 | Temporary Head of Adults, Health and Wellbeing ⁶ | | 6,176 | 1,383 | 0 | 7,559 |
| 70,263 | 15,739 | 0 | 86,002 | Head of Regulatory | } | 64,565 | 14,463 | 0 | 79,028 |
| 0 | 0 | 0 | 0 | Temporary Head of Regulatory ⁶ | | 5,172 | 1,159 | 0 | 6,331 |
| 70,263 | 15,739 | 0 | 86,002 | Head of Strategic & Improvement ⁷ | | 70,312 | 15,750 | 47,332 | 133,394 |
| 63,237 | 14,165 | 0 | 77,402 | Head of Human Resources ⁷ | | 56,249 | 12,600 | 0 | 68,849 |
| 59,353 | 13,295 | 0 | 72,648 | Head of Gwynedd Consultancy | | 59,394 | 13,304 | 0 | 72,698 |
| 56,210 | 12,591 | 99,834 | 168,635 | Head of Democracy and Legal ⁸ | | 23,332 | 5,226 | 7,090 | 35,648 |
| 19,719 | 4,417 | 0 | 24,136 | Head of Children and Families | | 65,039 | 14,569 | 0 | 79,608 |

• “Other Employer Costs” above - in accordance with the requirements, the related commitments as known to the Council as at 31 March 2015 are included.

• Other references to the above table:

- 1 Holder in post to end of September 2014
- 2 Holder in post from beginning of October 2014
- 3 Holder in post to end of August 2014
- 4 Holder in post from 21 July 2014 to end of December 2014
- 5 Holder in post from 5 January 2015
- 6 Temporary holder in post from 2 March 2015
- 7 Holder in post to end of March 2015
- 8 The remuneration disclosed above in respect of the Head of Democracy and Legal does not include £4,010 paid in respect of their role as Returning Officer for the authority. Holder in post to end of August 2014

31b. The Accounts and Audit (Wales) Regulations 2014 require the Authority to include a ratio of remuneration. During 2014/15 there have been two holders in the Chief Executive’s post (refer to note 31a for further details), therefore a combined annualised remuneration figure has been used for the calculation. The ratio of the Chief Executive to the median remuneration of all the Authority’s employees is 5.45 : 1.

NOTE 31 – OFFICERS’ REMUNERATION (continued)

31c. Other Authority employees receiving more than £60,000 remuneration for the year (excluding employer’s pension and national insurance contributions), were paid the following amounts. The figures include termination benefits paid in 17 cases in 2014/15 and 4 cases in 2013/14. These posts would not appear below except for the termination benefits paid in the individual year.

| Number of other employees who received more than £60,000 and includes remuneration and termination benefits: | | | | | | |
|---|--------------|--------------|--------------------|--------------------------|--------------|--------------|
| Number in 2013-14 | | | | Number in 2014-15 | | |
| Schools | Other | Total | | Schools | Other | Total |
| 7 | 0 | 7 | £60,000 - 64,999 | 8 | 1 | 9 |
| 5 | 0 | 5 | £65,000 - 69,999 | 4 | 3 | 7 |
| 1 | 0 | 1 | £70,000 - 74,999 | 4 | 3 | 7 |
| 2 | 0 | 2 | £75,000 - 79,999 | 1 | 0 | 1 |
| 0 | 1 | 1 | £80,000 - 84,999 | 0 | 1 | 1 |
| 0 | 0 | 0 | £85,000 - 89,999 | 0 | 1 | 1 |
| 1 | 1 | 2 | £90,000 - 94,999 | 0 | 2 | 2 |
| 1 | 0 | 1 | £95,000 - 99,999 | 1 | 0 | 1 |
| 1 | 0 | 1 | £100,000 - 104,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £105,000 - 109,999 | 0 | 1 | 1 |
| 0 | 0 | 0 | £110,000 - 114,999 | 0 | 1 | 1 |
| 0 | 0 | 0 | £115,000 - 119,999 | 0 | 1 | 1 |
| 0 | 0 | 0 | £120,000 - 124,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £125,000 - 129,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £130,000 - 134,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £135,000 - 139,999 | 0 | 1 | 1 |

NOTE 32 – EXTERNAL AUDIT COSTS

The Authority has incurred the following costs relating to external audit.

| 2013/14 | | 2014/15 |
|----------------|---|----------------|
| £'000 | | £'000 |
| 272 | Fees for External Audit Services | 267 |
| 139 | Fees for grant claims and returns | 114 |
| 411 | | 381 |
| (6) | Less: Fees for External Audit Services relating to the Joint Committees and Harbour Accounts | (3) |
| 405 | Gwynedd Council Net Fees | 378 |

NOTE 33 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

| | Note | 2013/14 £'000 | 2014/15 £'000 |
|--|------|------------------|------------------|
| Credited to Taxation and Non Specific Grant Income | | | |
| Outcome Agreement Grant (Non-ringfenced Government Grants) | 13 | 1,290 | 1,275 |
| Revenue Support Grant (Non-ringfenced Government Grants) | 13 | 143,424 | 135,980 |
| Government Capital Grants and Contributions - | | | |
| 21st Century Schools | | 2,673 | 2,203 |
| General Capital Grant | | 2,543 | 2,508 |
| Other | | 9,730 | 7,085 |
| | 13 | <u>14,946</u> | <u>11,796</u> |
| Other Capital Grants and Contributions | 13 | <u>2,967</u> | <u>170</u> |
| Total | | 162,627 | 149,221 |
| Grants and Contributions Credited to Services | | | |
| Welsh Government - | | | |
| Supporting People Grant (SPG & SPRG) | | 5,925 | 5,703 |
| Foundation Phase Grant (Education) | | 4,032 | 3,941 |
| Sustainable Waste Management Grant | | 3,696 | 3,616 |
| Post 16 Grant (Education) | | 3,310 | 3,027 |
| Potential Grant | | 3,156 | 180 |
| Other | | 17,167 | 15,600 |
| | | <u>37,286</u> | <u>32,067</u> |
| Other Government Grants and Contributions - | | | |
| Department for Work and Pensions | | 29,708 | 30,320 |
| Other | | 14,853 | 11,787 |
| | | <u>44,561</u> | <u>42,107</u> |
| Other Grants and Contributions | | <u>1,097</u> | <u>2,776</u> |
| | | 82,944 | 76,950 |

There has been a change to the comparative breakdown figures by amalgamation as the figures were not considered material in 2014/15.

NOTE 33 – GRANT INCOME (continued)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that could require the monies or property to be returned to the giver. The balances at the year end are as follows:

| | 31 March 2014 £'000 | 31 March 2015 £'000 |
|---|------------------------------------|------------------------------------|
| Grants Received in Advance | | |
| <u>Long Term</u> | | |
| Revenue Grants and Contributions : - | | |
| Regulatory (Planning, Transport & Public Protection) Grants | 682 | 771 |
| Adults, Health and Wellbeing Grants | 426 | 245 |
| | 1,108 | 1,016 |
| Capital Grants and Contributions : - | | |
| Highways and Municipal Capital Contributions | 1,956 | 1,810 |
| Regulatory (Planning, Transport & Public Protection) Grants | 878 | 1,297 |
| | 2,834 | 3,107 |
| Total Long Term | 3,942 | 4,123 |
| <u>Short Term</u> | | |
| Revenue Grants and Contributions : - | | |
| Economy and Community Grants | 306 | 761 |
| Education Grants | 261 | 82 |
| Regulatory (Planning, Transport & Public Protection) Grants | 251 | 506 |
| Adults, Health and Wellbeing Grants | 460 | 623 |
| Children & Families Grants | 0 | 26 |
| Consultancy Grants | 29 | 29 |
| Corporate Management Team Grants | 7 | 0 |
| Highways and Municipal Grants | 3 | 0 |
| Finance Grants | 0 | 402 |
| | 1,317 | 2,429 |
| Capital Grants and Contributions : - | | |
| Economy and Community Grants | 215 | 275 |
| Highways and Municipal Capital Contributions | 146 | 146 |
| Adults, Health and Wellbeing Grants | 97 | 31 |
| | 458 | 452 |
| Total Short Term | 1,775 | 2,881 |
| Total | 5,717 | 7,004 |

There was a change to the Departmental structure between 2013/14 and 2014/15, and consequently there is a change to the comparative breakdown figures to reflect the current Departments

NOTE 34 – RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. To conform to the requirements, this is done by completing a personal declaration by the Members and Senior Officers, as defined in the CIPFA Code of Practice.

Welsh and Central Government

Welsh Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has within other parties (e.g. council tax bills, housing benefits). Grants received from the Welsh Government and other Government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. The related position as at 31 March is provided in Note 33.

Members

Members of the council have direct control over the Council's financial and operating policies. One member of the Council did not return a personal declaration. The total of members' allowances paid in 2014/15 is shown in Note 30.

The Authority appoints members to some external charitable or voluntary bodies or they have disclosed a link to organisations, public bodies and authorities. A breakdown of the payments and balances at 31 March 2015 made to these bodies under this heading during 2014/15 is as follows:

| Payments made | Amounts owed by the Authority | Amounts owed to the Authority |
|----------------------|--------------------------------------|--------------------------------------|
| £'000 | £'000 | £'000 |
| 10,860 | 1,067 | (2,854) |

Members have declared an interest or relationship (as defined) in companies or businesses which may have dealings with the Authority. A breakdown of the payments and balances at 31 March 2015 made to these companies under this heading during 2014/15 is as follows:

| Payments made | Amounts owed by the Authority | Amounts owed to the Authority |
|----------------------|--------------------------------------|--------------------------------------|
| £'000 | £'000 | £'000 |
| 2,469 | 102 | (30) |

Officers

Senior Officers (as defined) have declared as required and where appropriate an interest or relationship (as defined) in companies, voluntary, charitable, or public bodies which receive payments from the Authority. A breakdown of the payments and balances at 31 March 2015 made to these bodies under this heading during 2014/15 is as follows:

| Payments made | Amounts owed by the Authority | Amounts owed to the Authority |
|----------------------|--------------------------------------|--------------------------------------|
| £'000 | £'000 | £'000 |
| 3,687 | 345 | (107) |

Other Public Bodies

The Authority is the administering authority for the Pension Fund. Details of transactions with the Pension Fund are shown in Note 40 on pages 66 to 70 and the Pension Fund Accounts on pages 74 to 104.

NOTE 34 – RELATED PARTIES (continued)

Welsh Joint Education Committee (WJEC)

| Payments made | Amounts owed by the Authority | Amounts owed to the Authority |
|---------------|-------------------------------|-------------------------------|
| £'000 | £'000 | £'000 |
| 517 | 25 | - |

Entities Controlled or Significantly Influenced by the Authority

Cwmni Cynnal Cyf. was established in 1996 to provide education support services under contract to maintained schools and the local education authorities as well as school inspection services to Estyn. The company is limited by guarantee and the Council's liability is limited to £1. The income of the company can only be applied towards promotion of its objectives. Copies of the financial statements are available from Cwmni Cynnal Cyf., Plas Llanwnda, Caernarfon, Gwynedd LL55 1SH. Payments and balances at 31 March 2015 to Cwmni Cynnal during 2014/15 for services to schools are as follows:

| Payments made | Amounts owed by the Authority | Amounts owed to the Authority |
|---------------|-------------------------------|-------------------------------|
| £'000 | £'000 | £'000 |
| 1,325 | 60 | (26) |

Cwmni Gwastraff Môn-Arfon Cyf. was established as a Local Authority Waste Disposal Company in 1994. The Company operated two waste management sites in Anglesey and Gwynedd which were leased from the Local Authorities. The two Councils decided to close the company down during 2007/08 and to undertake the work in-house. The relevant operational assets and liabilities and the staff were transferred to the Council in January 2008. The remaining assets and liabilities will be divided between the two Councils when the Company is wound up. The Company's final accounts have not yet been completed but the investment on the Balance Sheet has been re-valued to reflect its true value when the final distribution of assets takes place. By now £1,193,580 has been received as part of the settlement, and the final payment of approximately £51,730 remains outstanding.

NOTE 35 – CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

| 31 March | | 31 March |
|----------------|--------------------------------------|----------------|
| 2014 | | 2015 |
| £'000 | | £'000 |
| 384,095 | Non-current Assets | 416,493 |
| (41,009) | Revaluation Reserve | (62,580) |
| (169,777) | Capital Adjustment Account | (179,024) |
| 173,309 | Capital Financing Requirement | 174,889 |

NOTE 35 – CAPITAL EXPENDITURE AND CAPITAL FINANCING (continued)

The movement in the year is explained as follows:

| 2013/14 | | 2014/15 |
|----------------|---|----------------|
| £'000 | | £'000 |
| 165,924 | Capital Financing Requirement 1 April | 173,309 |
| 20,454 | Land and Buildings | 6,963 |
| 8,865 | Infrastructure | 7,137 |
| 4,303 | Vehicles, Plant and Equipment | 4,428 |
| 4 | Community Assets | 35 |
| 0 | Surplus Assets | 4 |
| 5,100 | Assets under construction | 9,293 |
| 16 | Assets held for sale | 2 |
| 6,222 | Funded from capital under statute | 4,833 |
| (1,377) | Capital Receipts used | (1,873) |
| (18,989) | Government Grants and other contributions | (15,666) |
| (10,516) | Capital expenditure charged to revenue | (6,430) |
| (5,731) | Revenue provision for the financing of supported capital investment | (5,692) |
| | Additional voluntary set aside : | |
| (966) | Revenue provision for the financing of unsupported capital investment | (1,454) |
| 173,309 | Capital Financing Requirement 31 March | 174,889 |

NOTE 36 – LEASES

Authority as Lessee

Finance Leases

The Council did have some vehicles and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| 31 March | | 31 March |
|-----------------|-------------------------------|-----------------|
| 2014 | | 2015 |
| £'000 | | £'000 |
| 4,734 | Property, Plant and Equipment | 4,485 |
| 4,734 | | 4,485 |

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

NOTE 36 – LEASES (continued)

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|------------------------------------|---|------------------------------------|
| | Finance Lease Liabilities (net present value of minimum lease payments): | |
| 112 | current | 119 |
| 2,372 | non-current | 2,253 |
| 0 | Finance costs payable in future years | 0 |
| 2,484 | Minimum lease payments | 2,372 |

The remaining asset shown above has been funded by a deferred credit (refer to Note 43),

The minimum lease payments will be payable over the following periods:

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| | 31 March 2014 £'000 | 31 March 2015 £'000 | 31 March 2014 £'000 | 31 March 2015 £'000 |
| | No later than one year | 112 | 119 | 112 |
| Later than one year and not later than five years | 521 | 553 | 521 | 553 |
| More than five years | 1,851 | 1,700 | 1,851 | 1,700 |
| | 2,484 | 2,372 | 2,484 | 2,372 |

In 2014/15, minimum lease payments were made by the Authority of £111,939 (2013/14 - £95,423) in respect of those assets held as a finance lease.

Operating Leases

| | 31 March 2014 £'000 | 31 March 2015 £'000 |
|---|------------------------------------|------------------------------------|
| No later than one year | 312 | 457 |
| Later than one year and not later than five years | 169 | 493 |
| Later than five years | 0 | 243 |
| | 481 | 1,193 |

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

| | 2013/14 £'000 | 2014/15 £'000 |
|------------------------|--------------------------|--------------------------|
| Minimum lease payments | 493 | 521 |
| Contingent rents | 0 | 0 |
| | 493 | 521 |

NOTE 36 – LEASES (continued)

Authority as Lessor

Finance Leases

Gwynedd Council has no Finance Leases where the Authority is the Lessor.

Operating Leases

The Authority leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centers
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

| | 31 March | 31 March |
|---|-----------------|-----------------|
| | 2014 | 2015 |
| | £'000 | £'000 |
| No later than one year | 283 | 380 |
| Later than one year and not later than five years | 536 | 583 |
| Later than five years | 1,892 | 2,264 |
| | 2,711 | 3,227 |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15 £930,248 minimum lease payments were receivable by the Authority (£1,017,925 in 2013/14).

NOTE 37 – IMPAIRMENT LOSSES

Notes 15 and 20 show the movement by class of assets for impairment losses and reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

NOTE 38 – EXIT PACKAGES

The number of exit packages with total cost per band, and total cost of the compulsory and other redundancies are set out in the table below. The cost in the table below reflects the related package cost to the employer, rather than the actual value of the payments to the individuals. In accordance with the requirements the related commitments as known to the Council as at 31 March 2015 are included. Included below are the related gross costs but not the financial savings to the Council, where appropriate.

| (a) Exit package cost band (including special payments) | (b) Number of compulsory redundancies | | (c) Number of other departures agreed | | (d) Total number of exit packages by cost band | | (e) Total cost of exit packages in each band £'000 | |
|--|--|-----------|--|----------|---|------------|---|--------------|
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 |
| £ | | | | | | | | |
| 0 - 20,000 | 58 | 61 | 7 | 0 | 65 | 61 | 382 | 431 |
| 20,001 - 40,000 | 7 | 20 | 1 | 1 | 8 | 21 | 211 | 558 |
| 40,001 - 60,000 | 3 | 12 | 0 | 2 | 3 | 14 | 165 | 669 |
| 60,001 - 80,000 | 1 | 2 | 1 | 0 | 2 | 2 | 125 | 132 |
| 80,001 - 100,000 | 0 | 3 | 1 | 0 | 1 | 3 | 100 | 278 |
| 100,001 - 150,000 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 114 |
| 150,001 - 200,000 | 0 | 0 | 1 | 0 | 1 | 0 | 174 | 0 |
| Reflects adjustment to 2013/14 estimated costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 33 |
| Total | 69 | 99 | 11 | 3 | 80 | 102 | 1,157 | 2,215 |

NOTE 39 – PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Government's Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15 the Council paid £6.04m (£6.03m in 2013/14) in respect of teachers' pension costs, which represented 13.71% (13.68% in 2013/14) of teachers' pensionable pay. In addition the Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms for the teachers' scheme. In 2014/15 these amounted to £1.17m (£1.27m in 2013/14) representing 2.66% (2.87% in 2013/14) of teachers' pensionable pay. These costs are accounted for on a defined benefits basis and are included in Note 40.

NOTE 40 – PENSION COSTS

As part of the terms and conditions of employment of its officers and other employees, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments. These need to be disclosed at the time that employees earn their future entitlement.

Gwynedd Council participates in two post employment schemes:

- a) **The Local Government Pension Scheme** administered locally by Gwynedd Council. This is a funded defined benefit scheme based on final salary for service up to 31 March 2014 and based on a career average salary from 1 April 2014. The authority and the employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.
- b) **Arrangements for the award of discretionary post retirement benefits upon early retirement.** This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The Gwynedd Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Gwynedd Council. Policy is determined in accordance with the Local Government Pensions Scheme Regulations. The investment managers of the fund are appointed by the committee.

The principal risks to the authority from the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (such as large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the amounts required by statute as described in the accounting policies note to the General Fund.

Transactions Relating to Post-employment Benefits

The authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge it is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

NOTE 40 – PENSION COSTS (continued)

| Change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability | Period ended 31 March 2014 | | | Period ended 31 March 2015 | | |
|---|----------------------------|------------------|------------------------|----------------------------|------------------|------------------------|
| | Assets | Liabilities | Net (liability) /asset | Assets | Liabilities | Net (liability) /asset |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fair Value of Employer Assets | 418,033 | 0 | 418,033 | 468,653 | 0 | 468,653 |
| Present Value of Funded Liabilities | 0 | (559,752) | (559,752) | 0 | (613,043) | (613,043) |
| Present Value of Unfunded Liabilities | 0 | (26,460) | (26,460) | 0 | (27,299) | (27,299) |
| Opening Position at 31 March | 418,033 | (586,212) | (168,179) | 468,653 | (640,342) | (171,689) |
| Service Cost | | | | | | |
| Current Service Cost* | 0 | (18,481) | (18,481) | 0 | (18,446) | (18,446) |
| Past Service Costs(including curtailments) | 0 | (308) | (308) | 0 | (718) | (718) |
| Total Service Cost | 0 | (18,789) | (18,789) | 0 | (19,164) | (19,164) |
| Net interest | | | | | | |
| Interest Income on Plan Assets | 18,923 | 0 | 18,923 | 20,231 | 0 | 20,231 |
| Interest Cost on Defined Benefit Obligation | 0 | (26,479) | (26,479) | 0 | (27,600) | (27,600) |
| Total Net Interest | 18,923 | (26,479) | (7,556) | 20,231 | (27,600) | (7,369) |
| Total Defined Benefit Cost Recognised in Profit/(Loss) | 18,923 | (45,268) | (26,345) | 20,231 | (46,764) | (26,533) |
| Cashflows | | | | | | |
| Plan participants contributions | 4,803 | (4,803) | 0 | 4,987 | (4,987) | 0 |
| Employer contributions | 17,348 | 0 | 17,348 | 18,058 | 0 | 18,058 |
| Contributions in respect of funded benefits | 1,744 | 0 | 1,744 | 1,747 | 0 | 1,747 |
| Benefits Paid | (16,538) | 16,538 | 0 | (19,324) | 19,324 | 0 |
| Unfunded Benefits Paid | (1,744) | 1,744 | 0 | (1,747) | 1,747 | 0 |
| Expected Closing Position | 442,569 | (618,001) | (175,432) | 492,605 | (671,022) | (178,417) |
| Re-measurements | | | | | | |
| Change in demographic assumptions | 0 | (15,147) | (15,147) | 0 | 0 | 0 |
| Change in financial assumptions | 0 | (12,881) | (12,881) | 0 | (112,129) | (112,129) |
| Other experience | 0 | 5,687 | 5,687 | 0 | 4,087 | 4,087 |
| Return on Assets excluding amounts included in net interest | 26,084 | 0 | 26,084 | 37,738 | 0 | 37,738 |
| Total remeasurements recognised in Other Comprehensive Income (OCI) | 26,084 | (22,341) | 3,743 | 37,738 | (108,042) | (70,304) |
| Fair Value of Employer Assets | 468,653 | 0 | 468,653 | 530,343 | 0 | 530,343 |
| Present Value of Funded Liabilities | 0 | (613,043) | (613,043) | 0 | (750,818) | (750,818) |
| Present Value of Unfunded Liabilities | 0 | (27,299) | (27,299) | 0 | (28,246) | (28,246) |
| Closing Position at 31 March | 468,653 | (640,342) | (171,689) | 530,343 | (779,064) | (248,721) |

* The current service cost includes an allowance for administration expenses of 0.5% of payroll

The Major Categories of Plan Assets as a Percentage of Total Plan Assets

The actuary has provided a detailed breakdown of Fund assets in accordance with the requirements of IAS19. This analysis distinguishes between the nature and risk of those assets and to further break them down between those with a quoted price in an active market and those that do not. The asset split for Gwynedd Council is assumed to be in the same proportion to the Fund's asset allocation as at 31 December 2014. The split is shown in the table below. The actuary estimates the bid value of the Fund's assets as at 31 March 2015 to be £1,486,000 based on information provided by the Administering Authority and allowing for index returns where necessary.

NOTE 40 – PENSION COSTS (continued)

Fair Value of Employer Assets

The asset values below are at bid value as required under IAS19.

| Asset Category | At 31 March 2014 | | | | At 31 March 2015 | | | |
|---|--|---|----------------|------------|--|---|----------------|------------|
| | Quoted Prices in Active Markets | Prices not quoted in Active Markets | Total | | Quoted Prices in Active Markets | Prices not quoted in Active Markets | Total | |
| | £'000 | £'000 | £'000 | % | £'000 | £'000 | £'000 | % |
| Equity Securities | | | | | | | | |
| Consumer | 8,774 | 0 | 8,774 | 2 | 14,688 | 0 | 14,688 | 3 |
| Energy and Utilities | 11,220 | 0 | 11,220 | 2 | 10,923 | 0 | 10,923 | 2 |
| Financial Institutions | 3,916 | 0 | 3,916 | 1 | 8,271 | 0 | 8,271 | 2 |
| Health and Care | 20,770 | 0 | 20,770 | 4 | 22,077 | 0 | 22,077 | 4 |
| Information Technology | 13,074 | 0 | 13,074 | 3 | 15,419 | 0 | 15,419 | 3 |
| Other | 21,376 | 0 | 21,376 | 5 | 26,883 | 0 | 26,883 | 5 |
| Private Equity | | | | | | | | |
| All | 0 | 22,428 | 22,428 | 5 | 0 | 22,429 | 22,429 | 4 |
| Real Estate | | | | | | | | |
| UK Property | 0 | 40,332 | 40,332 | 9 | 0 | 50,873 | 50,873 | 10 |
| Overseas Property | 0 | 1,197 | 1,197 | 0 | 0 | 1,535 | 1,535 | 0 |
| Investment Funds and Unit Trusts | | | | | | | | |
| Equities | 105,123 | 137,299 | 242,422 | 52 | 121,065 | 150,665 | 271,730 | 51 |
| Bonds | 0 | 69,659 | 69,659 | 15 | 0 | 73,443 | 73,443 | 14 |
| Infrastructure | 0 | 2,067 | 2,067 | 0 | 0 | 2,502 | 2,502 | 0 |
| Cash and Cash Equivalents | | | | | | | | |
| All | 11,418 | 0 | 11,418 | 2 | 9,570 | 0 | 9,570 | 2 |
| Total | 195,671 | 272,982 | 468,653 | 100 | 228,896 | 301,447 | 530,343 | 100 |

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, life expectancy and salary levels. Life expectancy is based on fund specific projections called VitaCurves with long term improvement assumed to have already peaked and converging to 1.25% per annum.

Both the Gwynedd Pension Scheme and Discretionary Benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the Gwynedd Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013. The significant assumptions used by the actuary are as follows:-

NOTE 40 – PENSION COSTS (continued)

| | 31 March 2014 | 31 March 2015 |
|--|----------------------|----------------------|
| Financial Assumptions | % p.a. | % p.a. |
| Pensions Increase Rate | 2.8 | 2.4 |
| Salary Increase Rate* | 4.6 | 4.3 |
| Inflation Rate | 2.8 | 2.4 |
| Discount rate | 4.3 | 3.2 |
| Long term expected rate of return on all categories of assets | 4.3 | 3.2 |
| Take-up option to convert annual pension into retirement lump sum | | |
| for pre-April 2008 service | 50 | 50 |
| for post-April 2008 service | 75 | 75 |
| Mortality assumptions | Years | Years |
| Longevity at 65 for current pensioners | | |
| Men | 22 | 22 |
| Women | 24 | 24 |
| Longevity at 65 for future pensioners | | |
| Men | 24.4 | 24.4 |
| Women | 26.6 | 26.6 |

*Salary increases are assumed to be 1% p.a. until 31 March 2016 reverting to the long term assumption shown thereafter.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2015 on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided in this note.

To quantify the uncertainty around life expectancy, the actuary has calculated the difference in cost to the Council of a one year increase in life expectancy. For sensitivity purposes this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). The figures in the table below have been derived based on the membership profile of the Council as at 31st March 2013, the date of the most recent actuarial valuation. The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

| Impact on the Defined Benefit Obligation in the Scheme | | |
|---|---|--|
| Change in assumption | Approximate increase to Employer 31 March 2015 | Approximate monetary amount 31 March 2015 |
| | % | £'000 |
| 0.5% decrease in real discount rate | 11 | 88,886 |
| 1 year increase in life expectancy | 3 | 23,372 |
| 0.5% increase in the salary increase rate | 4 | 32,400 |
| 0.5% increase in the pension increase rate | 7 | 54,022 |

NOTE 40 – PENSION COSTS (continued)

Impact on the Council's Cash Flows

One of the objectives of the scheme is that employer contributions should be kept at as constant a rate as possible. Gwynedd Council has agreed a strategy with the fund's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

The contributions paid by the Council are set by the Fund Actuary at each triennial valuation (the most recent being as at 31 March 2013), or at any other time as instructed to do so by the Administering Authority. The contributions payable over the period to 31 March 2017 are set out in the Rates and Adjustments certificate. For further details on the approach adopted to set contribution rates for the Council, please refer to the 2013 actuarial report dated 31 March 2014.

Information about the Defined Benefit Obligation

| | Liability Split | | Duration |
|-------------------|-----------------|--------------|-------------|
| | £'000 | % | |
| Active Members | 440,439 | 58.7 | 24.9 |
| Deferred Members | 100,185 | 13.3 | 24.6 |
| Pensioner Members | 210,194 | 28.0 | 11.8 |
| Total | 750,818 | 100.0 | 19.8 |

The above figures are for funded obligations only and do not include unfunded pensioner liabilities. The durations are effective at the previous formal valuation as at 31 March 2013.

Impact in Future Years

The total contributions expected to be made to the Local Government Pensions Scheme by the Council in the year to 31 March 2016 is £18.2m.

As the Actuary's report is based on estimates and due to timing issues, there is a variance of £393,157 in 2014/15 (£635,323 in 2013/14) between the deficit in the Scheme based on the Actuarial figures in comparison with the liability related to the defined benefit pension schemes in the Balance Sheet. This variance has been treated as Actuarial Gains and Losses on Pension Assets and Liabilities and therefore has been included in the Liability related to the defined benefit pension schemes in the Balance Sheet.

NOTE 41 – CONTINGENT LIABILITIES

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

The position below relates to circumstances involving three specific contingent liabilities:

- Position in respect of Equal Pay Claims – a provision is contained within the Authority's Accounts and reflects the best estimate of potential cost as at 31 March 2015. The actual final position and liability will depend on the outcome of the outstanding claims.
- The capping and aftercare requirements for the Authority's landfill sites – the provision contained in the accounts is based on existing and known circumstances, in addition to relevant forecasts. However, the actual final cost may differ from the current estimated future cost.
- This Authority is exposed to a potential insurance liability relating to the insurance arrangements of its predecessor authorities, being, Gwynedd County Council, Arfon Borough Council, Dwyfor District Council,

NOTE 41 – CONTINGENT LIABILITIES (continued)

and Meirionnydd District Council, and the closure of the Municipal Mutual Insurance (M.M.I) Fund on 30 September 1992.

M.M.I. made a scheme of arrangement with its creditors, by which, if M.M.I had insufficient funds to meet future claims, a claw-back clause would be triggered (i.e. Scheme of Arrangements) which could affect claims paid since 1992-93. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered and served notice on the Scheme Administrator and the Company to that effect. The decision is irrevocable. The initial levy was 15% of the payments made since 30 September 1992 payable by the authorities; this initial levy was paid during 2013/14.

However, in accordance with the scheme, a further levy may be raised should the original levy be insufficient to meet M.M.I's liabilities in the longer term. Gwynedd Council is of the opinion that it would be prudent to continue with the provision in the expectation that the original levy will be inadequate. The current related estimated maximum potential liability to this authority is in the order of, up to almost £850,000.

NOTE 42 – TRUSTS

The Council acts as sole trustee for 173 bequests such as school prize funds, and comforts and improvements funds for numerous Council Establishments. The total balance of these Trusts on 31 March 2015 was £606,180 (£563,252 on 31 March 2014). They are fully invested to generate income.

As the sole trustee, the Council holds the property for each trust but makes no decision on its use. In every case, the funds do not represent the assets of the Authority and therefore they have not been included in the Balance Sheet.

Further details on the FMG Morgan Trust Fund and Welsh Church Fund are included in Appendices B and C of these accounts.

NOTE 43 – SERVICE CONCESSION ARRANGEMENTS

Prosiect GwyrAD is a Service Concession Arrangement, otherwise known as a 'Private Finance Initiative' (PFI) scheme. The construction commenced in 2012/13 and the plant became operational in September 2013. It is a treatment plant for source segregated food waste from Gwynedd residents and businesses (mainly) using Anaerobic Digestion (AD) technology. The enterprise is assisting the Authority to meet its recycling targets, and to work within its allowances for landfilling of Biodegradable Municipal Waste for a period of 15 years.

The assets used to provide the service are recognised on the Authority's Balance Sheet. The Authority makes an agreed payment (gate fee) each year based on a minimum amount of tonnage which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year. The Authority has the right to increase the amount of tonnages over the agreed 7,500 tons to a maximum of 11,000 tons, and will pay a reduced gate fee for anything over 7,500 tons.

| | Payment for Services | Reimbursement of Capital Expenditure | Interest | Total |
|-------------------------------|---------------------------------|---|-----------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Paid in 2014/15 | 498 | 112 | 153 | 763 |
| Payable in 2015/16 | 498 | 119 | 146 | 763 |
| Payable within 2 to 5 years | 1,991 | 553 | 507 | 3,051 |
| Payable within 6 to 10 years | 2,489 | 907 | 419 | 3,815 |
| Payable within 11 to 15 years | 1,700 | 793 | 113 | 2,606 |
| Total | 7,176 | 2,484 | 1,338 | 10,998 |

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable.

The contractor receives income from energy that is generated from the waste which has enabled them to keep the unitary payment low for the Authority. If the income is higher than what is in the contract, there is an arrangement for it to be shared between the contractor and Gwynedd Council.

The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

| | 2014/15 | |
|--|------------------------|------------------------|
| | Lease Liability | Deferred Income |
| | £'000 | £'000 |
| Balance outstanding at 1 April 2014 | (2,484) | (2,102) |
| Repayment of principal during the year | 112 | 0 |
| Release of deferred income | 0 | 146 |
| Balance outstanding at 31 March 2015 | (2,372) | (1,956) |

NOTE 44 – JOINT COMMITTEES

During 2014/15, Gwynedd Council participated in six joint-committees, collaborating in particular areas between Local Authorities. Separate accounts are required for joint-committees. The six joint-committees relating to Gwynedd are:

- Special Educational Needs Joint Committee (SEN)
- GwE
- Joint Planning Policy Committee
- Integrated Transport in North Wales (TAITH)
- Mid Wales Transportation (TRaCC)
- North Wales Residual Waste Treatment Project (NWRWTP)

The Joint Committee accounts follow the same timetable in terms of the statutory dates for the completion of the accounts. In the circumstances, Gwynedd Council's Accounts reflects the related actual net liability, although the subjective analysis position varies subject to the circumstances, and the reporting arrangements of the various joint committees. The figures and the share relating to Gwynedd have been included in the table below:

| Joint Committee | Leading Council (for Finance) | Councils participating in the Joint Committees | Gwynedd Council's Share % | Value of Gwynedd's Share (Income and Expenditure Account) £'000 |
|---|-------------------------------|--|---------------------------|---|
| Special Educational Needs Joint Committee | Gwynedd Council | Gwynedd Council Isle of Anglesey County Council | 61.4% | 739 |
| Joint Planning Policy Committee | Gwynedd Council | Gwynedd Council Isle of Anglesey County Council | 50% | 301 |
| GwE | Gwynedd Council | Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council Wrexham County Borough Council | 17.99% | 641 |
| TAITH | Flintshire County Council | Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council Wrexham County Borough Council | 17.59% | 10 |
| TRaCC | Ceredigion County Council | Ceredigion County Council Gwynedd Council Powys County Council | 33.3% | 50 |
| NWRWTP | Flintshire County Council | Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council | 20% | 85 |

The individual joint-committees accounts are available on the website of the leading council in respect of the finance and accountancy service.

GWYNEDD PENSION FUND ACCOUNTS 2014/15

| 31 March 2014 | | Notes | 31 March 2015 |
|------------------|---|-------|------------------|
| £'000 | | | £'000 |
| | Dealings with members, employers and others directly involved in the Fund | | |
| 65,700 | Contributions receivable | 7 | 67,748 |
| 17 | Interest on deferred contributions | | 14 |
| 3 | Income from divorce calculations | | 2 |
| 0 | Interest on late payment of contributions | | 1 |
| 3,810 | Transfers in from other pension schemes | 8 | 2,015 |
| 69,530 | Total contributions received | | 69,780 |
| (45,167) | Benefits payable | 9 | (48,610) |
| (1,516) | Payments to and on account of leavers | 10 | (1,909) |
| (46,683) | Total benefits paid | | (50,519) |
| 22,847 | | | 19,261 |
| (8,118) | Management Expenses | 11 | (8,573) |
| | Returns on Investments | | |
| 13,993 | Investment income | 14 | 12,993 |
| (466) | Taxes on income | 15 | (687) |
| 88,421 | Profit and (losses) on disposal of investments and changes in the market value of investments | 16 | 164,833 |
| 101,948 | Returns on investments net of tax | | 177,139 |
| 116,677 | Increase in the net assets available for benefits during the year | | 187,827 |
| | Net assets of the Fund | | |
| 1,192,869 | At 1 st April | | 1,309,546 |
| 116,677 | Increase in net assets | | 187,827 |
| 1,309,546 | | | 1,497,373 |

NET ASSETS STATEMENT AS AT 31 MARCH 2015

| 31 March 2014 | | Notes | 31 March 2015 |
|------------------|------------------------|-------|------------------|
| £'000 | | | £'000 |
| 1,280,403 | Investment assets | 16 | 1,458,025 |
| 15,453 | Cash deposits | 16 | 22,082 |
| 1,295,856 | | | 1,480,107 |
| (308) | Investment liabilities | 16 | (229) |
| 17,450 | Current assets | 21 | 20,312 |
| (3,452) | Current liabilities | 22 | (2,817) |
| 1,309,546 | | | 1,497,373 |

The Financial Statements do not take into account the Fund's liability to pay pensions and other benefits to all the present contributors to the Fund after the scheme year end, but rather summaries the transactions and net assets of the scheme. The liabilities of the Fund are taken into account in the periodic actuarial valuations of the Fund (most recently as at 31 March 2013) and are reflected in the levels of employers' contributions determined at the valuation, so that the Fund will again be able to meet 100% of future liabilities. The actuarial present value of promised retirement benefits is shown in Note 20.

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE I – DESCRIPTION OF FUND

The Gwynedd Pension Fund (“the Fund”) is part of the Local Government Pension Scheme and is administered by Gwynedd Council. The council is the reporting entity for this pension fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Gwynedd Pension Fund Annual Report 2014/15 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended);
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

It is a contributory defined pension scheme administered by Gwynedd Council to provide pensions and other benefits for pensionable employees of Gwynedd Council, two other local authorities and other schedule, resolution and admission bodies within the former Gwynedd County Council area. Teachers, police officers and firefighters are not included as they are in other national pension schemes. The Fund is overseen by the Pensions Committee, which is a committee of Gwynedd Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Gwynedd Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Resolution bodies, which are city, town and community councils. They have the power to decide if their employees can join the LGPS and pass a resolution accordingly.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

NOTE 1 – DESCRIPTION OF FUND (continued)

The following bodies are active employers within the Pension Fund:

| Scheduled Bodies | |
|---|---|
| Gwynedd Council | Snowdonia National Park |
| Conwy County Borough Council | Bryn Eilian School |
| Isle of Anglesey County Council | Emrys ap Iwan School |
| Police and Crime Commissioner for North Wales | Pen y Bryn School |
| Llandrillo – Menai Group | Eirias High School |
| Resolution Bodies | |
| Llanllyfni Community Council | Ffestiniog Town Council |
| Bangor City Council | Llandudno Town Council |
| Abergele Town Council | Llangefni Town Council |
| Colwyn Bay Town Council | Menai Bridge Town Council |
| Beaumaris Town Council | Towyn and Kinmel Bay Town Council |
| Holyhead Town Council | Tywyn Town Council |
| Caernarfon Town Council | Conwy Town Council (joined 1 November 2014) |
| Admission Bodies | |
| Coleg Harlech WEA | North Wales Society for the Blind |
| CAIS | Conwy Voluntary Services |
| Conwy Citizens Advice Bureau | Careers Wales North West |
| Ynys Môn Citizens Advice Bureau | Mantell Gwynedd |
| Cwmni Cynnal | Medrwn Môn |
| Cwmni'r Fran Wen | Menter Môn |
| Holyhead Joint Burial Committee | |
| Community Admission Bodies | |
| Cartrefi Conwy | Cartrefi Cymunedol Gwynedd |
| Transferee Admission Body | |
| Caterlink (joined 1 September 2013) | Jewsons |

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 2.75% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employers also make contributions which are set based on triennial actuarial funding valuations. New employer contribution rates were applied for the three years from 1st April 2014 to 31 March 2017 following the actuarial valuation carried out as at 31 March 2013.

d) Benefits

Prior to 1 April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

| | Service pre 1 April 2008 | Service post 31 March 2008 |
|-----------------|--|--|
| Pension | Each year worked is worth 1/80 x final pensionable salary. | Each year worked is worth 1/60 x final pensionable salary. |
| Lump sum | Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up. | No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up. |

NOTE 1 – DESCRIPTION OF FUND (continued)

From 1 April 2014, the scheme became a career average scheme as summarised below:

| | Service post 31 March 2014 |
|-----------------|---|
| Pension | Each year worked is worth $1/49 \times$ career average revalued earnings (CARE) |
| Lump Sum | No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up. |

Accrued pension is increased annually in line with the Consumer Prices Index.

There are a number of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Gwynedd Pension Fund scheme handbook available from Gwynedd Council's Pensions Section.

Benefits are index-linked in order to keep pace with inflation.

NOTE 2 – BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position at year-end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year or the actuarial present value of promised retirement benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 20 of these accounts.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – revenue recognition

a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employers deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in and out are accounted for on a receipts and payments basis, which is normally when the member liability is accepted or discharged.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds including property

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

The Code does not require any breakdown of pension Fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension Fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with council policy.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accrual basis. All staff costs, management and other overheads associated with oversight and governance are apportioned to the Fund in accordance with Council policy.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition the Fund has negotiated with Fidelity International that an element of their fee be performance related. The cost of obtaining investment advice from external consultants is included in investment management charges.

A proportion of the council's costs representing management time spent by officers on investment management is also charged to the Fund.

Net assets statement

g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

- i) **Market-quoted investments**
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- ii) **Fixed interest securities**
Fixed interest securities are recorded at net market value based on their current yields.
- iii) **Unquoted investments**
The fair value of investments for which market quotations are not readily available is determined as follows:
 - Unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
 - Investments in unquoted property are valued at the net asset value or a single price advised by the Fund manager.
 - Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with IFRS guidelines. It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.
- iv) **Pooled investment vehicles**
Pooled investments vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under IAS26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement. (Note 20).

l) Additional voluntary contributions

Gwynedd Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension Fund. There are three AVC funds. They are held with Clerical Medical, The Equitable Life Assurance Society and Standard Life. The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement made up to 31 March confirming the amounts held in their account and the movements in year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 23).

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure are valued by the investment managers using guidelines set out by IFRS accounting standards. The value of unquoted securities at 31 March 2015 was £71 million (£64 million at 31 March 2014).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported in the accounts. Estimates and assumptions 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 net assets statement at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (continued)

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|--|--|
| Actuarial present value of promised retirement benefits | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied. | The net pension liability would change if the assumptions used were changed. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability, an increase in assumed earnings inflation would increase the value of liability in assumed life expectancy would increase the liability. |
| Debtors | At 31 March 2015, the Fund had a balance of sundry debtors of £8.3m. A review of significant balances suggested that it was not appropriate to make any impairment of the debts. | If collection rates were to deteriorate, it would be necessary to reconsider this decision. |
| Private equity and infrastructure | Private equity and infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | The total private equity and infrastructure investments in the financial statements are £71 million. There is a risk that this investment may be under or overstated in the accounts. |

NOTE 6 – EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2015, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

NOTE 7 – CONTRIBUTIONS RECEIVABLE

By category

| 2013/14 | | 2014/15 |
|---------------|-------------------|---------------|
| £'000 | | £'000 |
| 50,908 | Employers | 52,502 |
| 14,792 | Employees/Members | 15,246 |
| 65,700 | | 67,748 |

By authority

| 2013/14 | | 2014/15 |
|---------------|---------------------------|---------------|
| £'000 | | £'000 |
| 23,297 | Gwynedd Council | 24,251 |
| 38,065 | Other scheduled bodies | 38,992 |
| 1,722 | Admission bodies | 1,753 |
| 2,369 | Community admission body | 2,268 |
| 31 | Transferee admission body | 257 |
| 162 | Resolution Body | 173 |
| 54 | Closed fund* | 54 |
| 65,700 | | 67,748 |

* Closed fund – These are contributions received from North Wales Magistrates Court Committee which was an admitted body but is now a closed fund.

NOTE 7 – CONTRIBUTIONS RECEIVABLE (continued)

| 2013/14 | | 2014/15 |
|----------------|--|----------------|
| £'000 | | £'000 |
| 14,792 | Employees normal contributions | 15,246 |
| 39,711 | Employers normal contributions | 45,586 |
| 11,197 | Employers deficit recovery contributions | 6,916 |
| 65,700 | | 67,748 |

NOTE 8 – TRANSFERS IN FROM OTHER PENSION FUNDS

| 2013/14 | | 2014/15 |
|----------------|----------------------|----------------|
| £'000 | | £'000 |
| 3,810 | Individual transfers | 2,015 |
| 3,810 | | 2,015 |

NOTE 9 - BENEFITS PAYABLE**By category**

| 2013/14 | | 2014/15 |
|----------------|--|----------------|
| £'000 | | £'000 |
| 34,425 | Pensions | 37,074 |
| 9,787 | Commutation and lump sum retirement benefits | 9,922 |
| 955 | Lump sum death benefits | 1,614 |
| 45,167 | | 48,610 |

By authority

| 2013/14 | | 2014/15 |
|----------------|---------------------------|----------------|
| £'000 | | £'000 |
| 11,613 | Gwynedd Council | 13,554 |
| 20,012 | Other scheduled bodies | 22,135 |
| 984 | Admission bodies | 1,074 |
| 1,000 | Community admission body | 653 |
| 75 | Transferee admission body | 25 |
| 69 | Resolution body | 72 |
| 11,414 | Closed fund | 11,097 |
| 45,167 | | 48,610 |

NOTE 10 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

| 2013/14 | | 2014/15 |
|--------------|---|--------------|
| £'000 | | £'000 |
| | Refunds to members leaving service net of tax | |
| (1) | repayments | 84 |
| 1 | Payments for members joining state scheme | 17 |
| 1,516 | Individual transfers | 1,808 |
| 1,516 | | 1,909 |

NOTE 11 – MANAGEMENT EXPENSES

| 2013/14 | | 2014/15 |
|--------------|--|--------------|
| £'000 | | £'000 |
| 1,218 | Administrative costs | 1,106 |
| 6,850 | Investment management expenses (Note 13) | 7,419 |
| 50 | Oversight and governance costs | 48 |
| 8,118 | | 8,573 |

This analysis of the costs of managing the Gwynedd Pension Fund during the period has been prepared in accordance with CIPFA guidance.

NOTE 12 – ADMINISTRATIVE, OVERSIGHT AND GOVERNANCE COSTS

| 2013/14 | | 2014/15 |
|--------------|---------------------------------------|--------------|
| £'000 | | £'000 |
| | Administrative costs | |
| 427 | Direct employee costs | 455 |
| 209 | Other direct costs | 214 |
| 366 | Support services including IT | 323 |
| 29 | External audit fees | 31 |
| 187 | Actuarial fees | 83 |
| 1,218 | | 1,106 |
| | Oversight and governance costs | |
| 50 | Pensions Committee | 48 |
| 1,268 | | 1,154 |

Administrative expenses include amounts charged to the Pension Fund by Gwynedd Council for staff costs, support services and accommodation. Further details are given in Note 24.

NOTE 13 – INVESTMENT MANAGEMENT EXPENSES

| 2013/14 | | 2014/15 |
|----------------|--------------------------------|----------------|
| £'000 | | £'000 |
| 6,720 | Management fees | 7,301 |
| 50 | Custody fees | 53 |
| 16 | Performance monitoring service | 15 |
| 64 | Investment consultancy fees | 50 |
| 6,850 | | 7,419 |

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled investment funds.

The investment management expenses above include £0 (2013/14 £37,844) in respect of performance related fees paid to one of the Fund's investment managers. In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. There are reflected in the cost of investment purchases and in the proceeds of sales of investments (see Note 16a).

NOTE 14 – INVESTMENT INCOME

| 2013/14 | | 2014/15 |
|----------------|-----------------------------|----------------|
| £'000 | | £'000 |
| 2,816 | UK equities | 1,219 |
| 5,374 | Overseas equities | 6,448 |
| 1,264 | Private equity | 866 |
| 99 | Infrastructure | 257 |
| 4,322 | Pooled property investments | 4,097 |
| 118 | Interest on cash deposits | 106 |
| 13,993 | | 12,993 |

The Gwynedd Pension Fund has three bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year.

The Council had a deposit of £4m with Heritable Bank, which went into administration in October 2008. During 2013/14 a distribution of £36,327 was received by the Pension Fund. This amount has been included in the interest on cash deposits figure for 2013/14 in the above table. There were no distributions in 2014/15. Further information is included in Note 27.

NOTE 15 – TAXES ON INCOME

| 2013/14 | | 2014/15 |
|----------------|----------------------------|----------------|
| £'000 | | £'000 |
| 466 | Withholding tax – equities | 687 |
| 466 | | 687 |

NOTE 16 – INVESTMENTS

| 2013/14 | | 2014/15 |
|------------------|-------------------------------------|------------------|
| £'000 | | £'000 |
| | Investment assets | |
| 194,386 | Absolute return | 197,323 |
| 238,975 | Equities | 272,050 |
| 666,050 | Pooled investments | 773,481 |
| 116,800 | Pooled property investments | 143,288 |
| 59,695 | Private equity | 62,546 |
| 4,497 | Infrastructure | 8,917 |
| 1,280,403 | | 1,457,605 |
| 15,453 | Cash deposits | 22,082 |
| 0 | Debtors | 420 |
| 1,295,856 | Total investment assets | 1,480,107 |
| | Investment liabilities | |
| (308) | Amounts payable for purchases | (229) |
| (308) | Total investment liabilities | (229) |
| 1,295,548 | Net investment assets | 1,479,878 |

Note 16a – Reconciliation of movements in investments and derivatives

| 2014/15 | Market value at 1 April 2014 | Purchases during the year | Sales during the year | Change in market value during the year | Market value at 31 March 2015 |
|--|-------------------------------------|----------------------------------|------------------------------|---|--------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fixed interest absolute return securities | 194,386 | 0 | 0 | 2,937 | 197,323 |
| Equities | 238,975 | 81,252 | (84,285) | 36,108 | 272,050 |
| Pooled investments | 666,050 | 103,237 | (89,693) | 93,887 | 773,481 |
| Pooled property investments | 116,800 | 3,639 | (71) | 22,920 | 143,288 |
| Private equity / infrastructure | 64,192 | 9,657 | (7,176) | 4,790 | 71,463 |
| | 1,280,403 | 197,785 | (181,225) | 160,642 | 1,457,605 |
| Cash deposits | 15,453 | | | 63 | 22,082 |
| Amount receivable for sales of investments | 0 | | | | 420 |
| Amounts payable for purchases of investments | (308) | | | | (229) |
| Fees within pooled vehicles | | | | 4,128 | |
| Net investment assets | 1,295,548 | 197,785 | (181,225) | 164,833 | 1,479,878 |

| 2013/14 | Market value at 1 April 2013 | Purchases during the year | Sales during the year | Change in market value during the year | Market value at 31 March 2014 |
|--|-------------------------------------|----------------------------------|------------------------------|---|--------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fixed interest absolute return securities | 157,644 | 31,000 | 0 | 5,742 | 194,386 |
| Equities | 206,697 | 58,392 | (49,222) | 23,108 | 238,975 |
| Pooled investments | 634,387 | 7,834 | (19,413) | 43,242 | 666,050 |
| Pooled property investments | 105,974 | 1,531 | 0 | 9,295 | 116,800 |
| Private equity / infrastructure | 61,787 | 16,273 | (16,894) | 3,026 | 64,192 |
| | 1,166,489 | 115,030 | (85,529) | 84,413 | 1,280,403 |
| Forward foreign currency contracts | (58) | | | 11 | 0 |
| Cash deposits | 17,316 | | | (44) | 15,453 |
| Amount receivable for sales of investments | 0 | | | | 0 |
| Amounts payable for purchases of investments | (677) | | | | (308) |
| Fees within pooled vehicles | | | | 4,041 | |
| Net investment assets | 1,183,070 | 115,030 | (85,529) | 88,421 | 1,295,548 |

Transaction costs, such as commissions, stamp duty and other transaction fees, are included in the cost of purchases and in sale proceeds. Transaction costs incurred during the year total £228,201 (2013/14 £186,342). In addition to these costs indirect costs are incurred through the bid-offer spread on investment purchases and sales.

Note 16b – Analysis of investments

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|---------------------------|------------------------------|---------------------------|
| | Equities | |
| | UK | |
| 45,272 | Quoted | 35,517 |
| | Overseas | |
| 193,703 | Quoted | 236,533 |
| | Pooled funds | |
| | UK | |
| 229,634 | Unit trusts | 247,917 |
| | Global (including UK) | |
| 194,386 | Fixed income | 197,323 |
| 231,296 | Unit trusts | 379,210 |
| | Overseas | |
| 205,120 | Unit trusts | 146,354 |
| 116,800 | Property unit trusts | 143,288 |
| 59,695 | Private equity | 62,546 |
| 4,497 | Infrastructure | 8,917 |
| 1,280,403 | | 1,457,605 |

Investments analysed by fund manager

| Market Value at 31 March 2014 | | | Market Value at 31 March 2015 | | |
|----------------------------------|--------------|----------------|----------------------------------|--------------|--|
| £'000 | % | | £'000 | % | |
| 427,249 | 33.0 | BlackRock | 485,874 | 32.8 | |
| 258,421 | 19.9 | Fidelity | 313,418 | 21.2 | |
| 194,394 | 15.0 | Insight | 197,331 | 13.3 | |
| 23,395 | 1.8 | Lothbury | 27,214 | 1.8 | |
| 64,193 | 5.0 | Partners Group | 71,463 | 4.8 | |
| 12,001 | 0.9 | Threadneedle | 14,170 | 1.0 | |
| 63,323 | 4.9 | UBS | 76,366 | 5.2 | |
| 252,572 | 19.5 | Veritas | 294,042 | 19.9 | |
| 1,295,548 | 100.0 | | 1,479,878 | 100.0 | |

The following investments represent more than 5% of the net assets of the scheme

| Market value 31 March 2014 £'000 | % of total Fund | Security | Market value 31 March 2015 £'000 | % of total Fund |
|--|--------------------|---|--|--------------------|
| 231,295 | 17.66 | Fidelity Institutional Select Global Equity | 281,164 | 18.78 |
| 229,633 | 17.53 | BlackRock Asset Management Aquila Life UK Equity Index Fund | 247,916 | 16.56 |
| 194,386 | 14.84 | Insight LDI Solution Bonds Plus | 197,323 | 13.18 |
| 0 | 0 | BlackRock Asset Management Aquila Life Global Dev Fundamental Fund | 98,047 | 6.55 |

Note 16c – Stock lending

The Statement of Investment Principles (SIP) states that stock lending will be permitted subject to specific approval. Currently the Fund does not undertake any stock lending.

NOTE 17 – FINANCIAL INSTRUMENTS

Note 17a – Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

| As at 31 March 2014 | | | As at 31 March 2015 | | |
|--|-----------------------|-------------------------------|--|-----------------------|-------------------------------|
| Designated as fair value through profit and loss | Loans and receivables | Financial liabilities at cost | Designated as fair value through profit and loss | Loans and receivables | Financial liabilities at cost |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Financial assets | | | Financial assets | | |
| 194,386 | | | 197,323 | | |
| 238,975 | | | 272,050 | | |
| 666,049 | | | 773,481 | | |
| 116,800 | | | 143,288 | | |
| 59,696 | | | 62,546 | | |
| 4,497 | | | 8,917 | | |
| 189 | 25,959 | | 18 | 34,095 | |
| | 6,755 | | | 8,701 | |
| 1,280,592 | 32,714 | 0 | 1,457,623 | 42,796 | 0 |
| Financial liabilities | | | Financial liabilities | | |
| (308) | | (3,452) | (229) | | (2,817) |
| (308) | 0 | (3,452) | (229) | 0 | (2,817) |
| 1,280,284 | 32,714 | (3,452) | 1,457,394 | 42,796 | (2,817) |

Note 17b – Net gains and losses on financial instruments

| 31 March 2014 | | 31 March 2015 |
|------------------------------|------------------------------------|----------------|
| Fair value | | Fair value |
| £'000 | | £'000 |
| Financial assets | | |
| 84,413 | Fair value through profit and loss | 160,642 |
| (33) | Loans and receivables | 63 |
| 84,380 | Total financial assets | 160,705 |
| Financial liabilities | | |
| 0 | Fair value through profit and loss | 0 |
| 0 | Financial liabilities at cost | 0 |
| 0 | Total financial liabilities | 0 |
| 84,380 | Net financial assets | 160,705 |

Note 17c – Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

| 31 March 2014 | | | 31 March 2015 | |
|------------------------------|------------------|------------------------------------|------------------|------------------|
| Carrying value | Fair value | | Carrying value | Fair value |
| £'000 | £'000 | | £'000 | £'000 |
| Financial assets | | | | |
| 964,240 | 1,280,593 | Fair value through profit and loss | 1,037,989 | 1,457,624 |
| 32,728 | 32,714 | Loans and receivables | 42,795 | 42,795 |
| 996,968 | 1,313,307 | Total financial assets | 1,080,784 | 1,500,419 |
| Financial liabilities | | | | |
| (254) | (253) | Fair value through profit and loss | (229) | (229) |
| (2,325) | (3,508) | Financial liabilities at cost | (2,817) | (2,817) |
| (2,579) | (3,761) | Total financial liabilities | (3,046) | (3,046) |
| 994,389 | 1,309,546 | Net financial assets | 1,077,738 | 1,497,373 |

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 17d – Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments could include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Gwynedd Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Note 17d – Valuation of financial instruments carried at fair value (continued)

| | Quoted market price | Using observable inputs | With significant unobservable inputs | |
|---|---------------------------|-------------------------------|---|------------------|
| Values at 31 March 2015 | Level 1 | Level 2 | Level 3 | Total |
| | £'000 | £'000 | £'000 | £'000 |
| Financial assets | | | | |
| Financial assets at fair value through profit and loss | 638,447 | 747,714 | 71,463 | 1,457,624 |
| Loans and receivables | 42,795 | 0 | 0 | 42,795 |
| Total financial assets | 681,242 | 747,714 | 71,463 | 1,500,419 |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit and loss | 0 | (229) | 0 | (229) |
| Financial liabilities at cost | (2,817) | 0 | 0 | (2,817) |
| Total financial liabilities | (2,817) | (229) | 0 | (3,046) |
| Net financial assets | 678,425 | 747,485 | 71,463 | 1,497,373 |

| | Quoted market price | Using observable inputs | With significant unobservable inputs | |
|---|---------------------------|-------------------------------|---|------------------|
| Values at 31 March 2014 | Level 1 | Level 2 | Level 3 | Total |
| | £'000 | £'000 | £'000 | £'000 |
| Financial assets | | | | |
| Financial assets at fair value through profit and loss | 556,347 | 660,053 | 64,193 | 1,280,593 |
| Loans and receivables | 32,714 | 0 | 0 | 32,714 |
| Total financial assets | 589,061 | 660,053 | 64,193 | 1,313,307 |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit and loss | 0 | (253) | 0 | (253) |
| Financial liabilities at cost | (3,508) | 0 | 0 | (3,508) |
| Total financial liabilities | (3,508) | (253) | 0 | (3,761) |
| Net financial assets | 585,553 | 659,800 | 64,193 | 1,309,546 |

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The council manages these investment risks as part of its overall pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the pensions committee. The Pension Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to pay pensions. The Funding Strategy Statement produced by the Administering Authority in conjunction with the Fund's Actuaries, states how solvency and risk will be managed in relation to liabilities. The Administering Authority has produced this Funding Strategy Statement having taken an overall view of the level of risk inherent in the investment policy set out in the Statement of Investment Principles published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the Investment Regulations) and the funding policy set out in this Statement. The Administering Authority will continue to review both documents to ensure that the overall risk profile remains appropriate.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk for its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a risk factor analysis to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments in monitored by the council to ensure it is within the limits set in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment analytics advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period.

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Following analysis of the observed historical volatility of asset class returns in consultation with the Fund's investment analytics advisors potential price changes have been determined for the various classes of assets held by the Fund. The rates to be applied to the Fund's asset categories are as follows:

| Asset type | Potential market movement (+/-) | |
|--|---------------------------------|---------------|
| | 31 March 2014 | 31 March 2015 |
| | % | % |
| Equities | 11.6 | 8.7 |
| Fixed Income | 1.3 | 1.0 |
| Alternatives (Private Equity and Infrastructure) | 6.2 | 5.9 |
| Property | 2.4 | 3.2 |
| Cash | 0.0 | 0.0 |

The potential volatilities disclosed above are consistent with a one-standard deviation movement in the change of value of the assets over the latest three years. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain the same.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the market price of the net assets available to pay benefits would have been as follows:

| Asset type | Value as at 31 March 2015 £'000 | Percentage change % | Value on increase £'000 | Value on decrease £'000 |
|---|------------------------------------|------------------------|----------------------------|----------------------------|
| Equities | 1,045,531 | 8.7 | 1,136,597 | 954,465 |
| Fixed Income | 197,323 | 1.0 | 199,375 | 195,271 |
| Alternatives (Private Equity) | 71,463 | 5.9 | 75,679 | 67,247 |
| Property | 143,288 | 3.2 | 147,830 | 138,746 |
| Cash | 34,112 | 0.0 | 34,115 | 34,109 |
| Total assets available to pay benefits | 1,491,717 | | 1,593,596 | 1,389,838 |

| Asset type | Value as at 31 March 2014 £'000 | Percentage change % | Value on increase £'000 | Value on decrease £'000 |
|---|------------------------------------|------------------------|----------------------------|----------------------------|
| Equities | 905,024 | 11.6 | 1,009,826 | 800,222 |
| Fixed Income | 194,386 | 1.3 | 196,913 | 191,859 |
| Alternatives (Private Equity) | 64,193 | 6.2 | 68,154 | 60,232 |
| Property | 116,800 | 2.4 | 119,615 | 113,985 |
| Cash | 25,839 | 0.0 | 25,844 | 25,834 |
| Total assets available to pay benefits | 1,306,242 | | 1,420,352 | 1,192,132 |

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

**NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(continued)**

| Asset type | As at 31 March 2014 | As at 31 March 2015 |
|---------------------------|---------------------|---------------------|
| | £'000 | £'000 |
| Cash and cash equivalents | 10,695 | 12,031 |
| Cash balances | 15,452 | 22,082 |
| Fixed interest securities | 194,386 | 197,323 |
| Total | 220,533 | 231,436 |

Interest rate risk sensitivity analysis

The council recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

| Asset type | Carrying amount as at 31 March 2015 £'000 | Change in year in the net assets available to pay benefits | |
|---|--|--|--------------|
| | | +1% | -1% |
| | | £'000 | £'000 |
| Cash and cash equivalents | 12,031 | 120 | (120) |
| Cash balances | 22,082 | 221 | (221) |
| Fixed interest securities* | 197,323 | (1,460) | 1,460 |
| Total change in assets available | 231,436 | (1,119) | 1,119 |

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

| Asset type | Carrying amount as at 31 March 2014 £'000 | Change in year in the net assets available to pay benefits | |
|---|--|--|------------|
| | | +1% | -1% |
| | | £'000 | £'000 |
| Cash and cash equivalents | 10,695 | 107 | (107) |
| Cash balances | 15,452 | 155 | (155) |
| Fixed interest securities* | 194,386 | (1,108) | 1,108 |
| Total change in assets available | 220,533 | (846) | 846 |

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

The impact that a 1% change in interest rates would have on interest received is minimal as the average interest rate received on cash during the year was 0.7% amounting to interest of £103,645 for the year.

A 1% increase in interest rates will not affect the interest received on fixed income assets but will reduce their fair value, as shown in the tables above. Changes in interest rates do not impact on the value of cash / cash equivalents but they will affect the interest income received on those balances. Changes to both the fair value of assets and income received from investments impact on the net assets to pay benefits but as noted above this does not have a significant effect on the Fund.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds assets denominated in currencies other than £UK.

The Fund has made commitments to private equity and infrastructure in foreign currency, (€164million and \$45million). These commitments are being drawn down on request from the investment manager over a number of

**NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(continued)**

years. The current commitments still outstanding are shown in Note 25. The risk is that the pound is weak relative to the dollar and euro at the time of the drawdown and then strengthens when the Fund is fully funded. The Fund has been funding the commitments since 2005 and therefore the liability is balanced out over a long period.

The Fund's currency rate risk has been calculated based on the volatility of the currencies which would affect the value of the investments and any cash held in those currencies.

The following table summarises the Fund's currency exposure as at 31 March 2015 and as at the previous period end:

| Currency exposure - asset type | As at | As at |
|---|----------------|------------------|
| | 31 March 2014 | 31 March 2015 |
| | £'000 | £'000 |
| Overseas and Global Equities | 630,118 | 762,098 |
| Global Fixed Income | 194,386 | 197,324 |
| Overseas Alternatives (Private Equity and infrastructure) | 64,193 | 71,463 |
| Overseas Property | 3,276 | 2,925 |
| Overseas Currency | 189 | 208 |
| Total overseas assets | 892,162 | 1,034,018 |

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment analytics advisors, the likely volatility associated with foreign exchange rate movements has been calculated with reference to the historic volatility of the currencies and their relative amounts in the Fund's investments.

A 5.5% fluctuation in the currency is considered reasonable based on the Fund investment analytics advisors analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period to 31 March 2015. The equivalent rate for the year ended 31 March 2014 was 5.2 %. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following tables show analyses of the Fund's exposure to individual foreign currencies as at 31 March 2015 and as at the previous year end:

| Currency exposure - by currency | Value at 31 March 2015 | Change | Value on increase | Value on decrease |
|---|------------------------|------------|-------------------|-------------------|
| | £'000 | % | £'000 | £'000 |
| Australian Dollar | 16,171 | 8.9 | 17,606 | 14,737 |
| Brazilian Real | 2,238 | 11.7 | 2,500 | 1,976 |
| EURO | 113,863 | 6.2 | 120,865 | 106,860 |
| Hong Kong Dollar | 1,232 | 7.7 | 1,327 | 1,137 |
| South African Rand | 6,588 | 10.7 | 7,294 | 5,881 |
| Swedish Krona | 6,749 | 7.3 | 7,242 | 6,256 |
| Swiss Franc | 20,341 | 9.3 | 22,241 | 18,441 |
| US Dollar | 143,949 | 7.8 | 155,150 | 132,747 |
| Pooled Investments | | | | |
| Global Basket | 576,534 | 5.6 | 608,867 | 544,200 |
| Global ex UK Basket | 114,099 | 6.1 | 121,043 | 107,155 |
| Emerging Basket | 32,255 | 6.8 | 34,447 | 30,063 |
| Total change in assets available | 1,034,019 | 5.5 | 1,090,944 | 977,092 |

* The % change for total currency in the table above includes the impact of correlation across the underlying currencies.

**NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(continued)**

| Currency exposure - by currency | Value at 31 March 2014 | Change | Value on increase | Value on decrease |
|---|-------------------------------|---------------|--------------------------|--------------------------|
| | £'000 | % | £'000 | £'000 |
| Australian Dollar | 12,958 | 9.8 | 14,227 | 11,687 |
| Brazilian Real | 5,543 | 12.7 | 6,247 | 4,840 |
| EURO | 91,180 | 6.3 | 96,933 | 85,426 |
| Hong Kong Dollar | 8,320 | 8.0 | 8,984 | 7,656 |
| South African Rand | 7,290 | 11.3 | 8,114 | 6,465 |
| Swedish Krona | 6,701 | 7.0 | 7,172 | 6,230 |
| Swiss Franc | 9,897 | 7.4 | 10,631 | 9,163 |
| US Dollar | 119,472 | 8.1 | 129,114 | 109,831 |
| Pooled Investments | | | | |
| Global Basket | 425,681 | 5.2 | 447,859 | 403,503 |
| Global ex UK Basket | 177,994 | 5.7 | 188,087 | 167,902 |
| Emerging Basket | 27,126 | 6.4 | 28,853 | 25,398 |
| Total change in assets available | 892,162 | 5.2 | 938,366 | 845,958 |

The % change for total currency in the table above includes the impact of correlation across the underlying currencies.

| Currency exposure - by asset type | Carrying amount as at 31 March 2015 | Change in year in the net assets available to pay benefits | |
|---|--|---|--------------------------|
| | £'000 | Value on increase | Value on decrease |
| | | £'000 | £'000 |
| Overseas and Global Equities | 762,099 | 804,053 | 720,142 |
| Global Fixed Income | 197,324 | 208,187 | 186,460 |
| Overseas Alternatives (Private Equity and infrastructure) | 71,463 | 75,398 | 67,529 |
| Overseas Property | 2,925 | 3,086 | 2,764 |
| Overseas Currency | 208 | 220 | 197 |
| Total change in assets available | 1,034,019 | 1,090,944 | 977,092 |

| Currency Exposure - by asset type | Carrying amount as at 31 March 2014 | Change in year in the net assets available to pay benefits | |
|---|--|---|--------------------------|
| | £'000 | Value on increase | Value on decrease |
| | | £'000 | £'000 |
| Overseas and Global Equities | 630,118 | 662,751 | 597,485 |
| Global Fixed Income | 194,386 | 204,453 | 184,319 |
| Overseas Alternatives (Private Equity and infrastructure) | 64,193 | 67,517 | 60,869 |
| Overseas Property | 3,276 | 3,446 | 3,106 |
| Overseas Currency | 189 | 199 | 179 |
| Total change in assets available | 892,162 | 938,366 | 845,958 |

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The benchmark for the concentration of the funds held with investment managers is as follows.

| Investment Manager | Percentage of Portfolio |
|--|--------------------------------|
| BlackRock | 29.5% |
| Fidelity | 19.0% |
| Insight | 15.0% |
| Partners Group | 7.5% |
| Property (UBS, Threadneedle, Lothbury, BlackRock) | 10.0% |
| Veritas | 19.0% |

All investments held by investment managers are held in the name of the Pension Fund so, if the investment manager fails, the Fund's investments are not classed amongst their assets.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

In order to maximise the returns from Short Term Investments and Cash Deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts. As the Short Term Investments are made in the name of Gwynedd Council they are shown in full on the Council's Balance Sheet. The Pension Fund element of the Short Term Investments and Cash Deposits at 31 March 2015 was £12.0m (£12.1m at 31 March 2014).

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. The council has also set limits as to the maximum percentage of deposits placed with any one class of financial institution. In addition, the council invests an agreed percentage of funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency. The council believes it has managed its exposure to credit risk, and has had only one experience of default or uncollectable deposits when Heritable Bank went into administration in 2008. Full details can be seen in Note 27.

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so the Administering Authority monitors membership movements on an annual basis.

New employers to the Fund will need to agree to the provision of a bond or obtain a guarantee to save the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. As shown in Note 26 three employers have provided bonds. Any future liabilities falling on the Fund as a result of cessation are borne by the whole Fund and spread across all employers. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

This risk has increased by a legal judgement, which potentially indicates that employers with no contributing members cannot be charged contributions under the LGPS Administration Regulations. This ruling, however, does not affect the ability to collect contributions following a cessation valuation under Regulation 38(2). The Actuary may

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions under Regulation 38 of the LGPS (Administration) Regulations 2008 between triennial valuations.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payment costs; and also cash to meet investment commitments.

The Administering Authority has a comprehensive cash flow management system that seeks to ensure that cash is available if needed. In addition, current contributions received from contributing employers and members far exceed the benefits being paid. Surplus cash is invested and cannot be paid back to employers. The Fund's Actuaries establish the contributions that should be paid in order that all future liabilities can be met.

There is no limit on the amount that the Pension Fund bank account can hold. The amounts held in this account should meet the normal liquidity needs of the Fund. Any temporary surplus is invested by the Administering Authority in accordance with the Treasury Management Strategy Statement to provide additional income to the Pension Fund. Surplus cash is invested in accordance with the Statement of Investment Principles.

The Fund also has access to an overdraft facility through the Administering Authority's group bank account arrangements. This facility would only be used to meet short-term timing differences on pension payments. As these borrowings are of a limited short term nature, the Fund's exposure to credit risk is considered negligible.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2015 the value of illiquid assets was £133m, which represented 8.9% of the total Fund assets (31 March 2014: £126m, which represented 9.6% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2015 are due within one year as was the case at 31 March 2014.

Refinancing risk

The key risk is that the council will be bound to replenish a significant proportion of its pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

NOTE 19 – FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013.

Description of Funding Policy

The funding policy is set out in the Funding Strategy Statement (FSS) dated March 2015.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund (and the share of the Fund attributable to individual employers)
- to ensure that sufficient funds are available to meet all pension liabilities as they fall due for payment
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk
- to help employers recognise and manage pension liabilities as they accrue

NOTE 19 – FUNDING ARRANGEMENTS (continued)

- to minimise the degree of short-term change in the level of each employer’s contributions where the Administering Authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 21 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 80% chance that the Fund will return to full funding over the 21 years.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was at 31 March 2013. This valuation revealed that the Fund’s assets, which at 31 March 2013 were valued at £1,195 million, were sufficient to meet 85% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £210 million.

The common contribution rate for the whole Fund based on the Funding level at 31 March 2013 is 18.3% for future service and a further 5.6% to Fund the past service deficit, giving a total rate of 23.9%. The common contribution rate is a theoretical figure – an average across the whole Fund. Individual employers’ contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to Value the Liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2014.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2013 valuation were as follows:

| | % per annum Nominal | % per annum Real |
|-------------------------------------|------------------------|---------------------|
| Discount rate | 4.7 | 2.2 |
| Pay increases* | 4.3 | 1.8 |
| Price inflation / Pension increases | 2.5 | - |

* Salary increases are assumed to be 1% per annum until 31 March 2016 reverting to the long term assumption shown thereafter.

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions that were adopted for the 31 March 2013 valuation are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the Fund. These curves are based on actual data supplied by the Administering Authority. The life expectancy assumptions based on the actuary’s fund-specific mortality review are as follows:

NOTE 19 – FUNDING ARRANGEMENTS (continued)

| Mortality assumption at age 65 | Male Years | Female Years |
|--|-----------------------|-------------------------|
| Current pensioners | 22.0 | 24.0 |
| Future pensioners (assumed current age 45) | 24.4 | 26.6 |

Experience over the Period since April 2013

Real bond yields have fallen dramatically (leading to a higher liability value), but the effect of this has been only partially offset by the effect of strong asset returns. Overall funding levels are likely to have remained approximately the same, but the monetary amount of deficits will have increased over this period as both asset and liability values have increased in size.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.

NOTE 20 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19) and has also used them to provide the IAS19 and FRS 17 reports for individual employers in the Fund. The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial present value of promised retirement benefits at 31 March 2015 was £2,114m (£1,747m at 31 March 2014).

As noted above the liabilities above are calculated on an IAS19 basis and therefore differ from the results of the 2013 triennial funding valuation (see Note 19) because IAS19 stipulates a discount rate rather than a rate that reflects market rates.

Assumptions used

The financial assumptions used are those adopted for the Administering Authority's IAS19 report as shown below:

| Assumption | 31 March 2014 | 31 March 2015 |
|----------------------------------|----------------------|----------------------|
| | % | % |
| Inflation/ pension increase rate | 2.8 | 2.4 |
| Salary increase rate* | 4.6 | 4.3 |
| Discount rate | 4.3 | 3.2 |

* Salary increases are assumed to be 1% p.a. until 31 March 2016 reverting to the long term rate shown thereafter.

The longevity assumption is the same as used for assessing the funding position as shown in Note 19 above.

The commutation assumption allows for future retirements to elect to take 50% of the maximum tax-free cash up to HMRC for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

NOTE 21 – CURRENT ASSETS

| 2013/14 | | 2014/15 |
|---------------|--|---------------|
| £'000 | | £'000 |
| 1,119 | Contributions due - employees | 1,173 |
| 3,861 | Contributions due – employers | 4,023 |
| 0 | Transfer value received (individuals who join) | 24 |
| 1,775 | Sundry debtors | 3,061 |
| 6,755 | Total debtors | 8,281 |
| 10,695 | Cash | 12,031 |
| 17,450 | Total | 20,312 |

Analysis of debtors

| 2013/14 | | 2014/15 |
|--------------|--------------------------------|--------------|
| £'000 | | £'000 |
| 2,116 | Gwynedd Council | 2,458 |
| 955 | Central government bodies | 1,326 |
| 2,564 | Other local authorities | 2,795 |
| 3 | NHS bodies | 3 |
| 1,117 | Other entities and individuals | 1,699 |
| 6,755 | Total | 8,281 |

NOTE 22 – CURRENT LIABILITIES

| 2013/14 | | 2014/15 |
|--------------|----------------------------------|--------------|
| £'000 | | £'000 |
| 1,904 | Sundry creditors | 1,944 |
| 0 | Transfer value payable (leavers) | 10 |
| 1,548 | Benefits payable | 863 |
| 3,452 | Total | 2,817 |

Analysis of creditors

| 2013/14 | | 2014/15 |
|--------------|--------------------------------|--------------|
| £'000 | | £'000 |
| 1,126 | Gwynedd Council | 1,174 |
| 22 | Central government bodies | 33 |
| 0 | NHS bodies | 10 |
| 2,304 | Other entities and individuals | 1,600 |
| 3,452 | Total | 2,817 |

NOTE 23 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

The market value of the funds is stated below:

| | Market value at 31 March 2014 | Market value at 31 March 2015 |
|------------------|----------------------------------|----------------------------------|
| | £'000 | £'000 |
| Clerical Medical | 2,792 | 2,678 |
| Equitable Life | 380 | 269 |
| Standard Life | 214 | 233 |
| Total | 3,386 | 3,180 |

AVC contributions were paid directly to the three managers as follows:

| | 2013 / 2014 | 2014 / 2015 |
|------------------|-------------|-------------|
| | £'000 | £'000 |
| Clerical Medical | 331 | 508 |
| Equitable Life | 0 | 0 |
| Standard Life | 10 | 11 |
| Total | 341 | 519 |

NOTE 24 - RELATED PARTY TRANSACTIONS

Gwynedd Council

The Gwynedd Pension Fund is administered by Gwynedd Council. Consequently there is a strong relationship between the council and the pension fund.

The council incurred costs of £986,723 (£1,001,991 in 2013/14) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The council is also one of the largest employers of members of the pension fund and contributed £18.49m to the Fund in 2014/15 (£17.65m in 2013/14). At the end of the year the council owed £2.458m to the Fund (see Note 21) which was primarily in respect of contributions for March 2015 and the Fund owed £1.174m to the council (see Note 22) which was primarily in respect of recharges from the council.

The Gwynedd Pension Fund has three bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year. During 2014/15, the Fund received interest of £103,645 (£77,251 in 2013/14) from Gwynedd Council.

Governance

There was 1 member of the pensions committee who was in receipt of pension benefits from the Gwynedd Pension Fund during 2014/15 (Committee member T.O. Edwards). In addition, committee members T.O. Edwards, P. Jenkins, H.E. Jones, D. Meurig, W.T. Owen P.Read and G.G. Williams are active members of the pension fund.

Key Management Personnel

The CIPFA Code of Practice on Local Authority Accounting exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members allowances in the Code satisfy the key management personnel disclosure requirements of IAS24. This also applies to the accounts of Gwynedd Pension Fund.

The disclosures required can be found in the accounts of Gwynedd Council.

NOTE 25 - COMMITMENTS UNDER INVESTMENT CONTRACTS

Outstanding capital commitments (investments) at 31 March were as follows:

| | Total commitments | Commitment at 31 March 2014 | Commitment at 31 March 2015 |
|---------------------------------|------------------------------|--|--|
| | €'000 | €'000 | €'000 |
| P.G. Direct 2006 | 20,000 | 1,384 | 776 |
| P.G. Global Value 2006 | 50,000 | 4,091 | 3,477 |
| P.G. Secondary 2008 | 15,000 | 1,960 | 1,960 |
| P.G. Global Value 2011 | 15,000 | 7,883 | 6,034 |
| P.G. Global Infrastructure 2012 | 40,000 | 34,039 | 28,285 |
| P.G. Direct 2012 | 12,000 | 8,280 | 5,352 |
| P.G. Global Value 2014 | 12,000 | 10,178 | 9,581 |
| Total Euros | 164,000 | 67,815 | 55,465 |
| | \$'000 | \$'000 | \$'000 |
| P.G. Emerging Markets 2011 | 7,000 | 3,843 | 2,648 |
| P.G. Secondary 2015 | 38,000 | 0 | 38,000 |
| Total Dollars | 45,000 | 3,843 | 40,648 |

'PG' above refers to Partners Group, the investment manager who invests in 'alternatives' (private equity and infrastructure) on behalf of the Fund.

These commitments relate to outstanding call payments on unquoted limited partnership funds held in the private equity part of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of the original commitment.

NOTE 26 – CONTINGENT ASSETS

Three admitted body employers in the Gwynedd Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

NOTE 27 – IMPAIRMENT LOSSES

a) Impairment for bad and doubtful debts

As explained in Note 5 there has not been any impairment for bad and doubtful debts.

b) Impairment of Icelandic bank deposit

During 2008/09 the Council made a deposit of £4m with Heritable Bank which is a UK registered bank under Scottish Law. The pension fund's share of that investment was £565,200. The company was placed in administration on 7 October 2008. The Council has received a return of £3,778,353 equating to 94% from the administrators up to 31 March 2014.

No distributions were received in 2014/15. Notice has been received that a further dividend will be paid in August 2015, although the amount is not yet known. The administration is ongoing, but it is likely that the full amount should eventually be recovered.

NOTE 28 - PENSION FUND PUBLICATIONS

A separate Annual Report is produced for the Pension Fund. This document includes the accounts for the Fund along with more information regarding the administration and investment activities. It includes the following documents:

Statement of Investment Principles
Funding Strategy Statement
Governance Policy and Governance Compliance Statement
Communications Policy Statement

Copies can be obtained from the Pension Fund website www.gwynedd-pensionfund.org.uk on the investment page or by contacting Mrs Caroline Roberts on 01286 679128.

Auditor General for Wales' report to the Members of Gwynedd Council

I have audited the accounting statements and related notes of:

- Gwynedd Council; and
- Gwynedd Pension Fund

for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

Gwynedd Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

Gwynedd Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including Gwynedd Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of Gwynedd Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Gwynedd Council as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on the accounting statements of Gwynedd Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Gwynedd Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on other matters

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

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I have carried out the audit of accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales. The audit cannot be formally concluded and an audit certificate issued until enquiries arising from an objection raised by a member of the public has been formally completed. I am satisfied that the amount which is the subject of the objection will not have a material effect on the statement of accounts.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

30 September 2015

**INCOME & EXPENDITURE ACCOUNT 2014/15
ANALYSIS OF SERVICE EXPENDITURE**

APPENDIX A

| | Total Expenditure £'000 | Total Income £'000 | Net Expenditure £'000 |
|---|----------------------------|-----------------------|--------------------------|
| Cultural and Related Services | | | |
| <i>Division of Service</i> | | | |
| Culture and Heritage | 2,044 | (582) | 1,462 |
| Recreation and Sport | 10,426 | (5,468) | 4,958 |
| Open Spaces | 1,631 | (630) | 1,001 |
| Tourism | 1,468 | (629) | 839 |
| Library Service | 2,113 | (165) | 1,948 |
| | 17,682 | (7,474) | 10,208 |
| Environmental and Regulatory Services | | | |
| <i>Division of Service</i> | | | |
| Cemetery, Cremation and Mortuary Services | 1,111 | (861) | 250 |
| Coast Protection | 751 | (103) | 648 |
| Community Safety (Crime Reduction) | 343 | (194) | 149 |
| Community Safety (CCTV) | 369 | (66) | 303 |
| Community Safety (Safety Services) | 451 | (355) | 96 |
| Flood Defence and Land Drainage | 457 | (167) | 290 |
| Agricultural and Fisheries Services | 121 | (202) | (81) |
| Regulatory Service | 4,267 | (795) | 3,472 |
| Street Cleansing (not chargeable to Highways) | 2,661 | (115) | 2,546 |
| Waste Collection | 1,984 | (138) | 1,846 |
| Waste Disposal | 4,823 | (152) | 4,671 |
| Trade Waste | 1,774 | (1,823) | (49) |
| Recycling | 7,421 | (4,365) | 3,056 |
| Waste Minimisation | 155 | (36) | 119 |
| | 26,688 | (9,372) | 17,316 |
| Planning Services | | | |
| <i>Division of Service</i> | | | |
| Building Control | 854 | (488) | 366 |
| Development Control | 1,100 | (534) | 566 |
| Planning Policy | 727 | (317) | 410 |
| Environmental Initiatives | 1,115 | (412) | 703 |
| Economic Research | 6 | (2) | 4 |
| Business Support | 1,365 | (620) | 745 |
| Economic Development | 4,275 | (2,547) | 1,728 |
| Community Development | 1,089 | (566) | 523 |
| | 10,531 | (5,486) | 5,045 |
| Education and Children's Services - Education | | | |
| <i>Division of Service</i> | | | |
| Early Years | 636 | (7) | 629 |
| Primary Schools | 53,029 | (9,192) | 43,837 |
| Secondary Schools | 42,600 | (5,507) | 37,093 |
| Special Schools And Alternative Provision | 3,377 | (217) | 3,160 |
| Post 16 Provision | 4,060 | (3,266) | 794 |
| Other Education and Community Budget | 8,337 | (1,169) | 7,168 |
| | 112,039 | (19,358) | 92,681 |
| Education and Children's Services - Children's Social Care | | | |
| <i>Division of Service</i> | | | |
| Sure Start Children's Centres/Flying Start and Early Years | 2,497 | (2,277) | 220 |
| Children Looked After | 8,435 | (180) | 8,255 |
| Other Children and Family Services | 1,783 | (1,273) | 510 |
| Family Support Sevices | 1,607 | (52) | 1,555 |
| Youth Justice | 875 | (566) | 309 |
| Safeguarding Children and Young People's Services | 4,738 | (308) | 4,430 |
| Asylum Seekers | 26 | (26) | 0 |
| Services for Young People | 1,589 | (262) | 1,327 |
| | 21,550 | (4,944) | 16,606 |

INCOME & EXPENDITURE ACCOUNT 2014/15
ANALYSIS OF SERVICE EXPENDITURE

APPENDIX A

| | Total Expenditure £'000 | Total Income £'000 | Net Expenditure £'000 |
|---|----------------------------|-----------------------|--------------------------|
| Highways and Transport | | | |
| <i>Division of Service</i> | | | |
| Transport Planning, Policy and Strategy | 1,414 | (550) | 864 |
| Structural Maintenance | 9,110 | (2,856) | 6,254 |
| Capital Charges Relating to Construction Projects | 3,592 | (1,218) | 2,374 |
| Environment, Safety and Routine Maintenance | 6,654 | (3,299) | 3,355 |
| Street Lighting (including energy costs) | 3,092 | (1,170) | 1,922 |
| Winter Service | 1,687 | (583) | 1,104 |
| Traffic Management and Road Safety | 784 | (70) | 714 |
| Parking Services | 1,648 | (2,026) | (378) |
| Public Transport | 4,931 | (2,553) | 2,378 |
| | 32,912 | (14,325) | 18,587 |
| Housing Services (Council Fund) | | | |
| <i>Division of Service</i> | | | |
| Housing Strategy | 214 | (68) | 146 |
| Enabling | 279 | (155) | 124 |
| Private Sector Housing Renewal | 3,452 | (977) | 2,475 |
| Licensing of Private Sector Landlords | 557 | (112) | 445 |
| Homelessness | 1,355 | (476) | 879 |
| Housing Benefits Administration | 31,109 | (30,806) | 303 |
| Other Council Property | 89 | (28) | 61 |
| Supporting People | 5,927 | (5,703) | 224 |
| | 42,982 | (38,325) | 4,657 |
| Adult Social Care | | | |
| <i>Division of Service</i> | | | |
| Service Strategy | 307 | (12) | 295 |
| Older People (aged 65 or over) including Older Mentally Ill | 38,232 | (13,477) | 24,755 |
| Adults aged under 65 with a Physical Disability or Sensory Impairment | 3,944 | (326) | 3,618 |
| Adults aged under 65 with Learning Disabilities | 15,594 | (2,170) | 13,424 |
| Adults aged under 65 with Mental Health Needs | 3,681 | (407) | 3,274 |
| Other Adult Services | 913 | (515) | 398 |
| | 62,671 | (16,907) | 45,764 |
| Central Services to the Public | | | |
| <i>Division of Service</i> | | | |
| Local Tax Collection | 10,854 | (799) | 10,055 |
| Registration of Births, Deaths and Marriages | 417 | (215) | 202 |
| Elections | 453 | (287) | 166 |
| Emergency Planning | 163 | (30) | 133 |
| Local Land Charges | 304 | (191) | 113 |
| Coroners' Court Services | 507 | (187) | 320 |
| | 12,698 | (1,709) | 10,989 |
| Corporate and Democratic Core | | | |
| <i>Division of Service</i> | | | |
| Democratic Representation and Management | 3,032 | (39) | 2,993 |
| Corporate Management | 6,104 | (4,240) | 1,864 |
| | 9,136 | (4,279) | 4,857 |
| Non Distributed Costs | | | |
| <i>Division of Service</i> | | | |
| Non Distributed Costs | 663 | 0 | 663 |
| | 663 | 0 | 663 |
| COST OF SERVICES | 349,552 | (122,179) | 227,373 |

| |
|------------------------------|
| THE WELSH CHURCH FUND |
|------------------------------|

| 2013/14 | | 2014/15 | |
|--------------|--|---------|--------------|
| £'000 | | £'000 | £'000 |
| 519 | Amount of Fund at 1st April | | 834 |
| | Add - Income during the year :- | | |
| 15 | Interest on Investments | | 6 |
| 333 | Increase in investments sold | | 0 |
| 0 | Increase in land value | | 148 |
| | Less - Expenditure during the year :- | | |
| 0 | Transfer of Gwynedd's previous years interest | (27) | |
| (14) | Loss on sale of investments | 0 | |
| (19) | Grants and expenses | (9) | |
| | | | (36) |
| <u>834</u> | Amount of Fund at 31st March | | <u>952</u> |
| | Represented by the following Assets :- | | |
| 26 | Land and Buildings | | 365 |
| 23 | Debtors | | 21 |
| 1,858 | Cash in Hand | | 1,831 |
| <u>1,907</u> | | | <u>2,217</u> |
| (1,054) | Less - Proportion owing to Anglesey and Conwy Councils | | (1,232) |
| 853 | | | 985 |
| (38) | Less - Creditors | | (40) |
| 19 | Add - Proportion owing from Anglesey and Conwy Councils | | 7 |
| <u>834</u> | Total | | <u>952</u> |

NOTES TO THE ACCOUNTS

1. The Scheme for the administration of the Fund provides that the income be applied for charitable purposes - educational, recreational and social, at the discretion of the Council.
2. The Charities Act 1993 requires that an independent examination of the statement of accounts of the Welsh Church Fund be carried out annually.
3. The increase in land values follows a re-valuation during 2014/15.

| |
|------------------------------|
| FMG MORGAN TRUST FUND |
|------------------------------|

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| 146 | Amount of Fund at 1st April | 152 |
| | Add - Income during the year | |
| 8 | Interest on Assets | 10 |
| | Less - Expenditure during the year | |
| (2) | Grants | (2) |
| 152 | Amount of Fund at 31st March | 160 |
| | Assets | |
| 144 | Investments | 142 |
| 8 | Cash in Hand | 18 |
| 152 | | 160 |

NOTES TO THE ACCOUNTS

1. This Fund was set up from the residuary estate of the late Mrs. Florence Merthyr Guest Morgan. The income from the Fund was to be applied to aid residents of certain areas of Llŷn for specified purposes.
2. The investments are shown in the accounts at cost. The market value of the investments at 31 March 2015 was £329,724.98 (£311,766.98 at 31 March 2014).
3. The FMG Morgan Trust Fund is outside the provisions of the Charities Act 1993. No independent examination or audit is therefore required in respect of this trust fund.

ANNUAL GOVERNANCE STATEMENT

This statement meets the requirement to produce a Statement of Internal Control pursuant to Regulation 5 of the Accounts and Audit (Wales) Regulation 2014.

Part 1: SCOPE OF RESPONSIBILITY

Gwynedd Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Gwynedd Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Gwynedd Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk and adequate and effective financial management.

Gwynedd Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on our website or can be obtained by writing to the Gwynedd Council, Council Offices, Shirehall Street, Caernarfon, Gwynedd LL55 1SH. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 5(5) of the Accounts and Audit (Wales) Regulations 2014 in relation to the publication of a statement on internal control.

Part 2: THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Gwynedd Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework described above has been in place at Gwynedd Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

Part 3: GOVERNANCE FRAMEWORK

- 3.1 The **Governance Arrangements Assessment Group** was established in 2012/13 to monitor matters of governance continuously in a more disciplined manner, raising a wider awareness of them and promoting a wider ownership of the Annual Governance Statement. The Group comprises the Chief Executive, the Monitoring Officer, the Corporate Commission Service Senior Manager, the Delivering and Supporting Change Service Senior Manager and the Senior Manager Revenues and Risk.
- 3.2 The Group has identified 31 elements forming Gwynedd Council's Governance framework and special consideration is given to the effect that each one of these is expected to have as they add public value for the people of Gwynedd. Prior to assessing the effectiveness of these elements, an Impact score was noted for each of the elements to reflect how comparatively large the effect of each one of them will be (in the Group's opinion) as they add public value. These scores vary from 1 (very little impact) to 10 (very large impact). These scores have been assessed, challenged and confirmed by the Council's Audit Committee, Corporate Management Team, Cabinet and Management Group.

3.3 None of the elements have scored less than 5 – if they had, it would be questionable if they deserved a prominent place within the governance framework at all.

3.4 The Council is of the opinion that the elements that have the greatest impact as they enable the Council to achieve are:

Score of 10:

| | |
|-----------------------------|---|
| The Council's Values | Our values define the Council's culture for both members and staff. The values have been established for some time now. If we achieve the correct culture, this can override everything else that affects our ability to achieve. |
|-----------------------------|---|

Score of 9:

| | |
|-------------------------------------|--|
| Integrated Public Services | The willingness of public sector bodies, including Gwynedd Council, other neighbouring unitary councils, the Police, the Health Board and others to collaborate in order to deliver public services jointly will have a substantial and visible effect on the People of Gwynedd. |
| The Council's Strategic Plan | This is the high level statement that outlines what the Council aims to achieve during the life of the current Council. |
| Engagement | Clear engagement with the People of Gwynedd, to establish clear communication and to get a true understanding of their needs, is one of the most important elements of the governance arrangements. |
| Leadership Programme | Leadership sets the standard that every member and employee in the Council follows. Therefore, its impact is great – good Leadership can overcome everything else, whilst poor Leadership can destroy what the Council is trying to achieve. This underpins the Council's culture. |
| Information Governance | Having the right information is essential if the Council is to provide the right services to the right people in the right way. The information that is collected and stored must be current and relevant, not only to comply with the Data Protection Act but also to ensure that the services we provide are those that doing the right things. Good Information Governance is the foundation of good decision making. |
| Financial Strategy | The Financial Strategy sets the key context for everything the Council does. The financial projections for the Council suggest that substantial savings must be identified in the years to come. The Financial Strategy establishes how we will achieve this and, therefore, it is a very important statement that outlines how the Council will deal with the situation. |

Score of 8:

| | |
|--|---|
| Risk Management Arrangements | Our risk management arrangements are an integral part of the Authority's management arrangements. Robust, correct and proportionate risk management arrangements support innovation and do not inhibit it. |
| Staff Appraisal, Training and Development | To ensure that the Council is in a position to provide services that always place the residents of Gwynedd in the centre, there must be continuous staff training, their performance must be monitored and their talent fostered and developed. Staff training arrangements are an important method of promoting and dissipating Gwynedd Way thinking across the Council and of course it is vitally important that the Council has officers with the skills to carry out their duties. |

| | |
|----------------------------------|---|
| The Local Governance Code | The Local Governance Code is the foundation of the Council's governance arrangements. It encompasses a large number of elements which need to be in place to enable the Council to achieve on behalf of the people of Gwynedd. |
| The Constitution | As the official guidance for the manner in which the Council operates, it is inevitable that the Constitution, by definition, has a significant impact on the way in which the Council achieves on behalf of the people of Gwynedd. |
| The 'Cyflawni' system | This is the Council's business planning and performance management system. Consequently, the effect of the system on the Council's ability to provide services on behalf of the people of Gwynedd is crucial. |
| The Scrutiny procedure | The scrutiny procedure is the process that is in place to ensure that the Council's Cabinet implements its policies in accordance with its pledges and for the benefit of the people of Gwynedd. It is therefore a very important part of the governance framework. |

In addition, the following elements received a lower score in terms of their impact on public value:

| Element | Impact Score (out of 10) |
|---|-------------------------------------|
| The Protocol for Member/Officer Relations Members' Code of Conduct Officers' Code of Conduct Audit Committee Anti-fraud and Anti-corruption Policy The External Auditor's Annual Letter Internal Audit The Scrutiny Strategy Gwynedd Council Performance Report Equality | 7 |
| The Standards Committee Decision Notices Statutory Officers' Protocols Member Inter-relationship Whistleblowing Code of Practice Member Training and Development The Complaints Procedure | 6 |
| Statement of the Accounts | 5 |

Part 4: EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

Gwynedd Council is responsible for undertaking, at least on an annual basis, a review of the effectiveness of its governance framework including the internal management system. The review of effectiveness is steered by the work of the operational manager within the authority who is responsible for developing and maintaining the governance environment, the annual report of the head of internal audit, along with the observations made by the external auditors and other reviewing agencies and inspectorates.

The Group has convened regularly during the year to continuously assess the Council's governance arrangements, and it has attended to matters that have been brought to its attention that affect the perception of the governance framework. In doing this, it has assessed the effectiveness of each of the 31 elements of the governance framework. The result of this assessment has been challenged regularly by the Corporate Management Team.

In addition, the following has contributed in undertaking the assessment of the effectiveness of the governance framework during the year:

- Assessments by members and principal officers in developing the ‘Gwynedd Way’ system, namely, the same common and clear vision for everyone in the Council regarding the corporate culture needed if the people of Gwynedd are to be central in everything that we do.
- The work of Internal Audit is summarised in the Head of Internal Audit’s Annual Report, submitted to the Audit Committee in May 2014. The report included the following general assurance: **“On the basis of the work of Internal Audit that was completed in 2014/15, in my opinion, Gwynedd Council has a sound framework of internal controls. This assists in providing confidence in the arrangements for ensuring effective and efficient achievement of the Council’s objectives, as the steps taken by the Council during the financial year to establish and strengthen internal controls and to ensure that recommendations to remedy weaknesses identified by the Internal Audit service have, overall, been satisfactory.”**
- Consideration of the results of the work of external auditors and regulators, including the Wales Audit Office, Estyn and the Care and Social Services Inspectorate Wales (CSSIW).

The result of the assessment of the effectiveness of elements of the governance framework is described above, including a comparative score out of 10. These scores vary from 1 (very ineffective) to 10 (very effective), and are shown in the following table.

| Element | Assessment of its Effectiveness in assisting us to deliver | Effectiveness Score (out of 10) |
|----------------------|---|---------------------------------|
| The Council’s Values | <p>The Council’s values were developed by means of the work of the Managers’ Colleges and the Council’s values have been included on vehicles, letters and signs in offices.</p> <p>It was reported in the 2014 Statement that evidence is scarce that our staff and members live these values and there is evidence – from system reviews – showing that the values have not in reality filtered down to mean better services for Gwynedd people.</p> <p>Ffordd Gwynedd work has already started in some limited areas within the Council but further work is necessary before a significant change in culture has penetrated through the Council.</p> <p>There are encouraging signs because there is evidence that the values are beginning to emerge from the new speech staff. However, it will take time until there is evidence of behaviour change that would allow an increase in the score.</p> | 3 |

| Element | Assessment of its Effectiveness in assisting us to deliver | Effectiveness Score (out of 10) |
|------------------------|--|---------------------------------|
| The 'Cyflawni' system | <p>It was reported in 2014 that a self-assessment of the 'Cyflawni' system shows that there are still shortcomings in our arrangements, including a lack of real ownership by units within the Council of performance information and its use for improvement, although arrangements had improved on previous years.</p> <p>Systems tests and the self-assessments undertaken for Ffordd Gwynedd show that more clarity is needed regarding what is a performance indicator and what is management information – this is not always clear to everybody.</p> <p>The 2014 Statement reported that a review was ongoing to reconcile the procedure with Ffordd Gwynedd. This consolidation review has almost been completed, and the intention is to put the new arrangements in place during 2015/16. We will not be in a position to change the score until then.</p> | 3 |
| Engagement | <p>The 2014 Statement reported that the Engagement Strategy adopted by the Cabinet on 28 January 2014 was the result of a self-assessment that highlighted that the Council's engagement arrangements were not as good as they should be for the new climate ahead.</p> <p>In the context of the this climate, the Gwynedd Challenge initiative, to discuss the financial situation with Gwynedd residents, has been given priority in the last year, and therefore other parts of the strategy have not progressed as expected.</p> <p>It should be noted that the support given to the waste project has been praised by the relevant Scrutiny Committee, but the score will continue to reflect the situation at the time of the original self assessment</p> | 4 |
| Information Governance | <p>Despite efforts to improve Information Governance, the Council continues to hold vast amounts of information, and we need to continue working to ensure that it does not hold more data than is needed. There is no evidence that the Council, overall, has improved its ability to use its information to make appropriate decisions as effectively as it could. It is expected that the EDRMS project will contribute to a significant improvement in this regard.</p> <p>In addition, there were occasions during 2014/15 where there was a failure on behalf of the Council to secure the information in its possession as expected, which has shown that our arrangements are less effective that we thought when undertaking the 2014 assessment. This has highlighted the need to retrain staff appropriately on Data Protection issues, and improve attitudes in this area.</p> | 4 |

| Element | Assessment of its Effectiveness in assisting us to deliver | Effectiveness Score (out of 10) |
|---|---|--|
| Staff Appraisal, Training and Development | <p>Difficulties in filling some senior posts within the Council suggest that there is a need to improve our ability to create progression at least for senior posts. This has been identified as a basis for developing internal talent.</p> <p>The formal appraisal procedure has been suspended within the Council whilst a review of its contribution to the Ffordd Gwynedd culture is undertaken.</p> <p>Evidence collected during exit interviews shows that many officers appreciate the training and development that they have received from the Council.</p> | 4 |
| Member inter-relationship | <p>There is some evidence of tension in the past between members as the new Cabinet arrangements were implemented within the Council and the resulting changes in roles, and there is no evidence to suggest that those tensions have disappeared.</p> <p>Tensions are inevitable during times of significant changes and to be expected.</p> | 4 |
| Integrated Public Services | <p>A score of 3 was given in 2014, but progress has been made during the last year.</p> <p>The Partnerships Unit has been established with Anglesey County Council, and the Council was among the signatories of a Statement of Intent that has been agreed with the Betsi Cadwaladr Health Board for an integrated service.</p> <p>The Council acknowledges that work remains to be done to develop the Local Services Board, but a Plan has been developed during the last year and a review by the Wales Audit Office in 2015 has reported that the Board is moving in the right direction.</p> <p>In addition, system review work in the Care field, which includes close collaboration with stakeholders from external bodies, is showing promising signs.</p> | 5 |

| Element | Assessment of its Effectiveness in assisting us to deliver | Effectiveness Score (out of 10) |
|------------------------------|--|---------------------------------|
| Risk Management Arrangements | <p>Arrangements are now in place for every department to maintain a departmental risk register and there are also cross-departmental registers in place with protocols to support them. Nevertheless, the take-up of risk management amongst individual business units is inconsistent and the general perception is that risk management is a hindrance rather than a help in achieving aims.</p> <p>Also, apart from Health and Safety risks, systems tests show that not all the workforce is aware of the risks that could prevent achievement for the people of Gwynedd and take ownership of them – risk management tends to be seen as a matter for Managers.</p> <p>Substantial work has been undertaken in the field of Emergency Planning and Business Continuity, to better prepare the authority for unforeseen events.</p> <p>It was reported in 2014 that risks around Safeguarding Children and Adults were receiving attention after an Estyn and Wales Audit Office report published in 2013 concluded that the Council’s arrangements for safeguarding children and young people did not satisfy the statutory requirements. However, substantial steps have been taken since then. A Strategic Panel convenes on a quarterly basis and an Operational Panel on a monthly basis. Major steps have been undertaken during the last year to ensure that the Corporate Safeguarding Policy remains valid, as well as annual reviews of the policies of individual departments. Follow-up audits by Estyn have confirmed that the action plan has been effective, but an extended period of operation is required before we will change the score.</p> | 5 |

| Element | Assessment of its Effectiveness in assisting us to deliver | Effectiveness Score (out of 10) |
|--------------------------------------|--|---------------------------------|
| The Scrutiny Procedure | <p>The 2014 Statement reported that a revised Scrutiny Strategy was at a draft stage and ready to be published. The Strategy was published during 2014/15.</p> <p>Following the improvements reported in 2014, some examples were seen of scrutiny having a positive impact on services, but there is still some way to go until scrutiny maximises that objective.</p> <p>We will not include improvements to the procedure as an action in this statement and the Strategic Plan as we are already collaborating with WAO to introduce changes.</p> <p>The work that has been done during 2014/15 to use Scrutiny to help us set the direction rather than looking back post- decision has improve the working relationship between the Cabinet and Scrutiny function.</p> | 5 |
| The External Auditor's Annual Letter | <p>Whilst the letter includes constructive criticism, the Council will try to implement the matters raised but sometimes there may be conflict between what the Council feels should be addressed and some matters raised in the letter in terms of the effort required to be given to them and the level of risk they represent. However, these examples are not significant; there were no recommendations in the most recent report and in general the messages are positive.</p> <p>The effectiveness score has been changed to 5, since delays in receiving the letter in 2015 means that its ability to assist the Council to improve will be less effective.</p> | 5 |
| Member Training and Development | <p>Steps have been taken in the period since the 2012 election to draw up a training programme for members with the Democratic Services leading on the work.</p> <p>Personal Development Interviews were introduced during 2014/15, with 20 members taking advantage of them.</p> | 5 |
| The complaints procedure | <p>It was reported in 2014 that the main weakness of the complaints procedure was a lack of arrangements to allow the Council to learn lessons from investigations into complaints.</p> <p>During 2014/15 new arrangements were introduced to deal specifically with this. A new Corporate Complaints Procedure was introduced, and a Service Improvement Officer was appointed to ensure that we learn lessons from complaints, and avoid repeating mistakes.</p> | 5 |

| Element | Assessment of its Effectiveness in assisting us to deliver | Effectiveness Score (out of 10) |
|------------------------------|--|---------------------------------|
| The Council's Strategic Plan | The Strategic Plan is an important guidance to achieve on behalf of Gwynedd People. The Wales Audit Office has identified improvements in the way that the Council is providing its services. However, the Council recognises that the nature of the current Scheme means that it is not easy to interpret from it what constitutes the core work of the Council. The scheme in its current form is a catalogue of things that need to be changed within the Council and in the Gwynedd area, rather than a business plan for the Authority. | 6 |
| The Audit Committee | Gwynedd Council's Audit Committee has been established since 1999 and it has agreed terms of reference. It was reported in 2014 that the Audit Committee is very effective in achieving some of the functions that it has undertaken for some time, but its capacity to deal with new responsibilities continue to develop by virtue of the Local Government (Wales) Measure 2011 continue to develop. There is no evidence to suggest that the situation has changed in the last year. | 6 |
| Internal Audit | The effectiveness of the Internal Audit system is under continuous review and although the service satisfies the professional standards in accordance to expectation, there is a need to consider further whether it reviews the right things and if it operates in a manner that is compatible with Ffordd Gwynedd. The service's capacity has decreased significantly since 1 April 2015, down from 10 to 7 full-time officers. It is expected that the adoption of Ffordd Gwynedd principles will ensure the effectiveness of the service will be maintained, but there may be some reduction in the short term. | 6 |
| Procurement Strategy | The Procurement Strategy has been in place for several years, but it was reported in 2014 that there is some evidence that its principles do not filter through to the Council consistently and that there is room to change in the arrangements to reflect new methods of working. In response to this, the Procurement Project in collaboration with Denbighshire and Flintshire councils has led to a new Strategy that will be presented for scrutiny during 2015/16. The Council will move forward to focus on category management (this received Cabinet approval during 2015/16), and appropriate investment has been made. | 6 |
| Equality | Although an Equality Scheme is in place, there is evidence that awareness of equality is not as rooted as it should, and that the mentality has not yet spread throughout the Council. For example, there is no evidence to show that the Council is thinking of conducting routinely Equality Impact Assessments when making its decisions. | 6 |

| Element | Assessment of its Effectiveness in assisting us to deliver | Effectiveness Score (out of 10) |
|------------------------------------|--|--|
| Leadership Programme | <p>There is evidence that Leadership skills within the Council has improved after the Council invested in leadership training for its Senior Officers and members.</p> <p>However, the Ffordd Gwynedd self-assessment shows that there is a need to take this to the next level now and ensure that all the Council's leadership are unanimous in implementing the principles of Ffordd Gwynedd if it is to be successful.</p> | 7 |
| The Local Governance Code | <p>The Local Code, as the focus of all individual elements of the governance framework, operates effectively in achieving its objectives. This is the core of our assessment of governance arrangements.</p> <p>However, it could be reviewed more regularly than in the past but the Audit Committee and the Governance Arrangements Assessment Group are addressing this.</p> <p>Generally, the Council is comfortable with the current arrangements, and a constructive report is expected when the Wales Audit Office undertakes a corporate review during 2016/17. However, during 2015/16 we will consider if there is a need to extend what is fed into the governance system. At the same time, we recognise the need to simplify and rationalise the code, since 31 headings seems excessive.</p> | 7 |
| Gwynedd Council Performance Report | <p>The Council's Improvement Report is published annually in accordance with the expected timetable. The Report notes that the Council has undertaken its duties of reporting on improvement that is a requirement under the measure, but it could comply more fully with guidance from the Welsh Government.</p> <p>Although this is a report that achieves its purpose there is a risk that it is a report that is produced to satisfy statutory requirements, rather than achieving the objective of providing a complete picture for the People of Gwynedd. It is hoped that the report will improve as we improve the quality of our Strategic Plan.</p> | 7 |
| The Standards Committee | <p>The Standards Committee is in place and operates with agreed Terms of Reference. Minutes of the Committee show that it examines specific cases as it undertakes its work. The Committee itself has also conducted a self assessment.</p> <p>Further assessment by the Governance Arrangements Assessment Group suggests that the efficiency score of 5 given in 2014 appears to be harsh, and assessment shows improvement. It was noted that the Committee fulfils its policing role well, but there is room for improving its activities of promoting good standards.</p> | 5 |

| Element | Assessment of its Effectiveness in assisting us to deliver | Effectiveness Score (out of 10) |
|---------------------------------|---|---------------------------------|
| Whistleblowing Code of Practice | <p>Although very little use has been made of the procedure, the disclosures that have been made have been the subject of thorough investigations in accordance with the Code of Practice. The arrangements have been reviewed recently by the WAO as part of a national review.</p> <p>Evidence from the national review, and a review of awareness by Internal Audit, has demonstrated that the procedures are generally effective, and justify the score given.</p> | 7 |

The other elements received an effectiveness score of 8 or above:

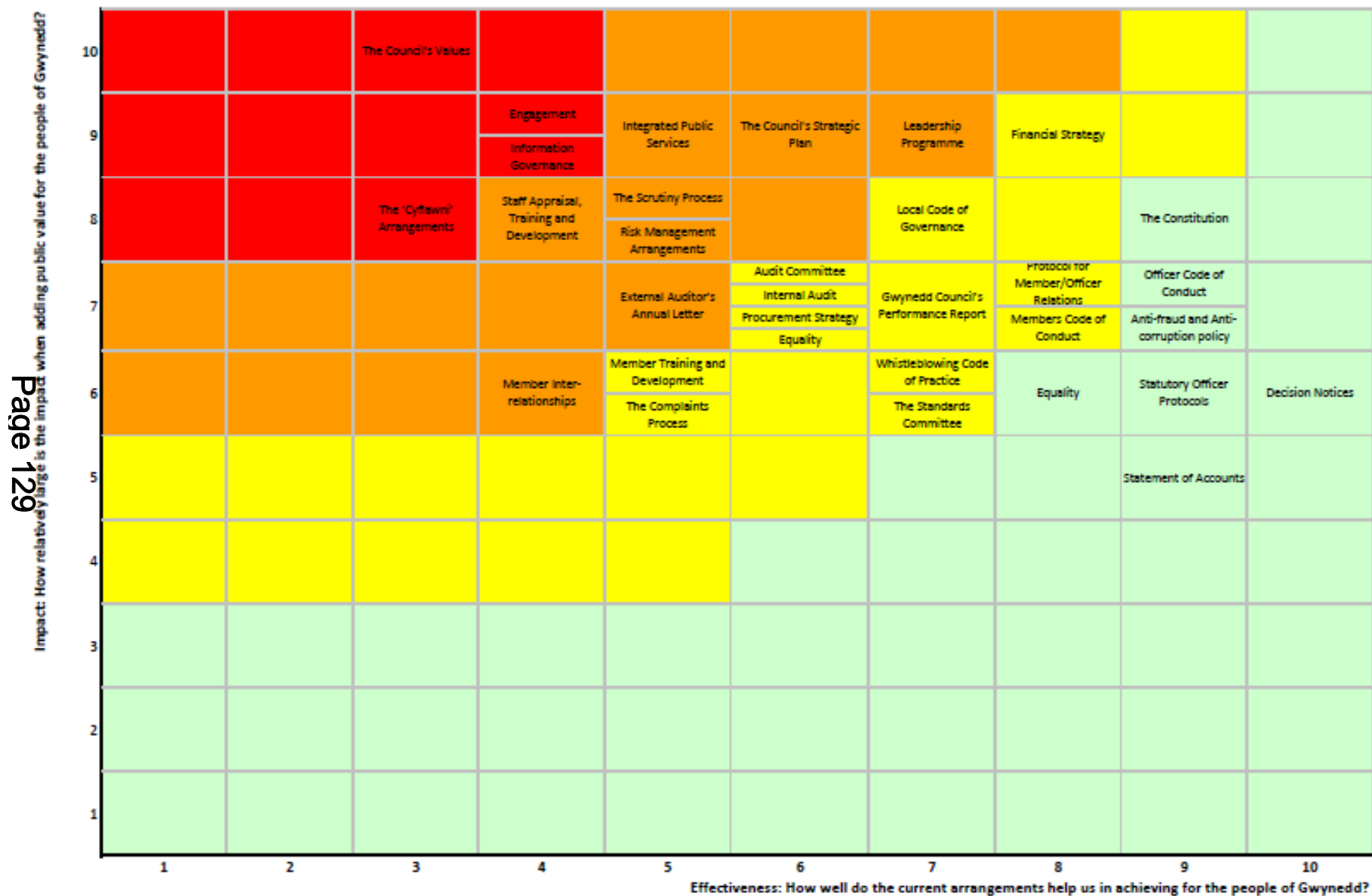
| Element | Effectiveness Score (out of 10) |
|--|---------------------------------|
| Financial Strategy The Protocol for Member/Officer Relations Members' Code of Conduct | 8 |
| The Constitution Officers' Code of Conduct Anti-fraud and Anti-corruption Policy Statutory Officers' Protocols Statement of the Accounts | 9 |
| Decision Notices | 10 |

We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the Audit Committee, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas that have already been addressed and those which the Council will address specifically have new on-going action plans and are outlined below.

Part 5: SIGNIFICANT GOVERNANCE ISSUES

In setting the Impact and Effectiveness scores in the diagram below, the issues to be addressed as a matter of priority are displayed, namely those areas that have the greatest impact, but are least effective at the moment:

AN ASSESSMENT OF THE KEY ELEMENTS OF THE SYSTEMS AND PROCESSES THAT FORM GWYNEDD COUNCIL'S GOVERNANCE



Many of the items that have been identified in the Action Plan are part of another project which is already in the pipe line. However, the action points for the fields that have a Very High Priority and High Priority are:

Very High Priority

| Matter that has been identified | Response Arrangements | Responsibility of whom? |
|--|---|---|
| <p>The Council's Values There are encouraging signs that the values of giving Gwynedd people central to everything we do begins to emerge from the new speech staff. Nevertheless, we need to continue the effort to ensure that everyone is "doing" as well as "saying".</p> | <p>The Values of the Council will receive attention under the Effective and Efficient Council priority field within the Strategic Plan, namely project C1 – Implementing Ffordd Gwynedd Project.</p> | <p>Chief Executive</p> |
| <p>The 'Cyflawni' System Lack of ownership of performance information and its use for improvement.</p> | <p>'Cyflawni' will receive attention under the Effective and Efficient Council priority field within the Strategic Plan, namely project C4 – Implementing a Performance Framework Project.</p> | <p>Head of Corporate Support</p> |
| <p>Engagement. The Council's engagement arrangements are not as good as they should be for the new climate that lies ahead.</p> | <p>Receiving attention under the Effective and Efficient Council priority field within the Strategic Plan, namely project C3 –Engagement Project.</p> | <p>Chief Executive</p> |
| <p>Information Governance. The Council maintains a large amount of data.</p> <p>There have been events during 2014/15 where the Council has failed to comply fully with the Data Protection standards.</p> | <p>Receiving attention under the Effective and Efficient Council priority field within the Strategic Plan, namely projects C7 – Electronic Document and Records Management (EDRMS) Project and C8 – Information Governance Project.</p> | <p>Chief Executive / Head of Adults, Health and Wellbeing</p> |

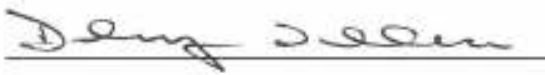
High Priority

| Matter that has been identified | Response Arrangements | Responsibility of whom? |
|---|--|---|
| <p>Integrated Public Services. Work remains to be done to develop the Local Services Board LSB, but a Plan has been developed during the past year.</p> | <p>Continue with the efforts that started during 2014/15.</p> | <p>Head of Corporate Support</p> |
| <p>Staff Appraisal, Training and Development Tests have been conducted in different departments to examine different ways to improve the procedure.</p> | <p>Completed a review of the contribution of the appraisal process to the Ffordd Gwynedd culture.</p> | <p>Head of Corporate Support</p> |
| <p>The Council's Strategic Plan There is concern whether all Council staff give due priority to matters that are in the Strategic Plan.</p> | <p>Continuing to refine business planning arrangements of all the Council's business units in order to address the right priorities.</p> | <p>Delivering and Supporting Change Service Senior Manager</p> |
| <p>The Scrutiny Procedure We will not include improvements to the system as an action in this release and the Strategic Plan as we are already collaborating with WAO to introduce changes..</p> | | |
| <p>Risk Management Arrangements. The penetration of risk management amongst individual business units is inconsistent and the general perception is that risk management is a hindrance rather than a help in achieving the aims. Risk management tends to be seen as a matter for Managers.</p> | <p>Build on the work completed since 2013/14 where assurance was given that every department had prepared a risk register on a departmental level. Continue to support business units to raise awareness of the use of risk management in their day-to-day work in the context of the Ffordd Gwynedd system.</p> <p>Maintain the work programmes of the Strategic and Operational Safeguarding Panels, and monitor progress against these work programmes.</p> | <p>Senior Manager Audit and Risk</p> <p>Head of Corporate Support</p> |
| <p>Member inter-relationship Evidence of tension.</p> | <p>Continuous work of ensuring respect and understanding of the different roles of members especially the Executive and other members.</p> | <p>Senior Manager - Corporate Commissioning Service</p> |

| Matter that has been identified | Response Arrangements | Responsibility of whom? |
|---|---|--|
| <p>Leadership Programme. Need to ensure that all the Council's leadership are as one.</p> | <p>Receiving attention under the Effective and Efficient Council priority field within the Strategic Plan, namely project C2 – Development of Leaders Programme Project.</p> | <p>Head of Corporate Support</p> |
| <p>External Auditor's Annual Letter. A draft report for 2013/14 was not received until May 2015, which has not been presented to members as a final version at the time of preparing this statement.</p> | <p>Discuss with the Wales Audit Office to establish, agree and monitor a timetable for preparing the report.</p> | <p>Delivering and Supporting Change Service Senior Manager</p> |

Part 6: OPINION

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



DILWYN O WILLIAMS
CHIEF EXECUTIVE GWYNEDD COUNCIL

DATE 1/7/2015.



Cllr DYFED WYN EDWARDS
LEADER OF GWYNEDD COUNCIL

DATE 2/7/2015

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Audit of Financial Statements Report

Gwynedd Council

Audit year: 2014-15

Issued: September 2015

Document reference: GC2015

Status of report

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 info.officer@audit.wales.

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 Gwynedd Council at 31 March 2015 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 Gwynedd Council is £3.837 million. 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 Gwynedd Council, for 2014-15, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2015 on the statutory deadline of 30 June 2015, and have now substantially completed the audit work.
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 Dafydd Edwards, Head of Finance.

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. However there will be a modification to the audit report as a member of the public has recently raised an objection to the accounts in relation to Trunk Road Agency expenditure. Therefore whilst we can give the opinion on the financial statement, we cannot formally conclude our other audit responsibilities and issue the certificate of audit closure.
10. The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

11. We set out below two misstatements we identified in the financial statements, which have been discussed with management but remain uncorrected, and request that this is corrected. If you decide not to correct these misstatements, we ask that you provide us with the reason for non-correction.

The Council's provisions are overstated by £825,000

12. The Council has made accounting provisions for costs relating to council tax property transfers and pension liabilities.
13. International Accounting Standard 37 – Provisions, Contingent Liabilities and Contingent Assets (IAS37) sets out that an entity must recognise a provision if, and only if:
- a present obligation has arisen as a result of a past event (the obligating event);
 - payment is probable; and
 - the amount can be estimated reliably
14. The Council has provided £490,000 to cover the future loss of Council tax as a result of householders with properties that are not fully occupied throughout the year transferring over to NNDR. However this does not comply with the definition of a provision as the obligating event (the point at which the transfers from CT to NNDR are approved) has not yet taken place.
15. The Council has also provided £335,000 to contribute towards the existing pension deficit. Whilst there is a past obligation in relation to these costs, it is not appropriate to have a provision in the accounts as the liability is already reflected in the accounts through the International Accounting Standard 19 – Employee Benefits (IAS19) entries.
16. Whilst I appreciate that it is prudent to set aside these funds in budgetary terms, from a technical accounting perspective they do not comply. It would be more appropriate for these sums to be set aside in earmarked reserves.

Corrected misstatements

17. There are 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. They are set out with explanations in [Appendix 3](#)

Other significant issues arising from the audit

- 18.** 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 are no issues arising in these areas this year:

There are no matters that we need to report to you

- 19.** There are no other matters to report to you. In particular:
- We have no concerns about the qualitative aspects of your accounting practices and financial reporting;
 - We did not encounter any significant difficulties during the audit;
 - there were no significant matters discussed and corresponded upon with management which we need to report to you;
 - 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; and
 - there are no other matters specifically required by auditing standards to be communicated to those charged with governance.

Recommendations arising from our 2014-15 financial audit work

- 20.** There is one recommendation arising from our financial audit work which is set out in [Appendix 4](#).

Independence and objectivity

- 21.** As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 22.** 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 Gwynedd Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

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

24 September 2015

Dear Sir,

Representations regarding the 2014-15 financial statements

This letter is provided in connection with your audit of the financial statements of Gwynedd Council for the year ended 31 March 2015 for the purpose of expressing an opinion on their truth and fairness.

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 Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.
- 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 Gwynedd 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. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

Paragraphs 12-17 of the auditor's report refer to two technical accounting matters. The auditor suggests that two funds prudently set aside should not be recognised as a provision. There are grounds to consider these funds as either provisions or reserves, but they will be transferred in 2015/16.

Representations by Gwynedd Council's Audit 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 Gwynedd Council's Audit Committee on 24 September 2015.

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.

Yours sincerely,

.....

DAFYDD L EDWARDS
HEAD OF FINANCE

Date

.....

COUNCILLOR JOHN PUGHE ROBERTS
AUDIT COMMITTEE CHAIRMAN

Date

Appendix 2

Proposed audit report of the Auditor General to Gwynedd Council

I have audited the accounting statements and related notes of:

- Gwynedd Council; and
- Gwynedd Pension Fund

for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

Gwynedd Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

Gwynedd Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including Gwynedd Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of Gwynedd Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Gwynedd Council as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on the accounting statements of Gwynedd Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Gwynedd Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on other matters

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

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I have carried out the audit of accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales. The audit cannot be formally concluded and an audit certificate issued until enquiries arising from an objection raised by a member of the public has been formally completed. I am satisfied that the amount which is the subject of the objection will not have a material effect on the statement of accounts.

**For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ
30 September 2015**

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of Gwynedd Council

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.

| Value of correction | Nature of correction | Reason for correction |
|----------------------|--|--|
| £898,000 | Note 15 – Property Plant & Equipment Revaluations relating to two buildings had been incorrectly entered into the fixed asset register Land & Buildings -£898,000 Revaluation Reserve +£898,000 | To correctly reflect the valuations on land and buildings |
| £153,000 | Note 17 – Financial Instruments (c) To include the Gwyrriad finance lease loan which had been omitted Interest Expense £153,000 | To accurately reflect the financial liabilities disclosure |
| £670,000 | Note 13b – National Non Domestic Rates To gross up for a number of NNDR schemes Receipts from the National Pool +£670,000 Sums paid to the National Pool +£670,000 | To correctly show the gross movements with the National Pool |
| £2,670,000 | Note 22 Provisions Reclassification of Equal Pay provision from long term provisions to short term provisions | To reflect the expected timing of the financial outlay |
| Additional narrative | Note 4 – critical judgements Note 5 – assumptions made about estimation uncertainty To provide additional detail | To inform the reader |
| Various amendments | Note 31 – Remuneration report A number of minor amendments were made to correctly reflect the information | To ensure accurate disclosure |

Appendix 4

Recommendations arising from our 2014-15 financial audit work

We set out one recommendation arising from our audit with management's response to them.

| Matter arising 1 – Accounting for Provisions | |
|---|--|
| Findings | The Council has made provisions that do not comply with the requirements of IAS37 |
| Priority | High |
| Recommendation | The Council should ensure that provisions are established only where the conditions meet the requirements of IAS37 |
| Benefits of implementing the recommendation | To comply with the Code of Practice on Local Government Accounting and IAS37 |
| Accepted in full by management | Yes, accepted in respect of the provision towards the employer's pension contribution, and partly accepted in respect of the provision to cover loss of Council Tax on transfer to NNDR. |
| Management response | The Auditor's report acknowledges that it is prudent to set aside these funds, and that the matter is a technical accounting issue. We will address this in 2015/16. Further, the provision to cover loss of Council Tax did have obligating past events, namely properties referred to the VOA during and in respect of 2014/15, but not resolved as at 31/03/2015. |
| Implementation date | 2015-16 accounts |

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Audit of Financial Statements Report

Gwynedd Pension Fund

Audit year: 2014-15

Issued: September 2015

Document reference: 499A2015

Status of report

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 info.officer@audit.wales.

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 Gwynedd Pension Fund at 31 March 2015 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 Gwynedd Pension Fund is £14.974 million. 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 Gwynedd Pension Fund, for 2014-15, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2015 on the statutory deadline of 30 June 2015, and have now substantially completed the audit work.
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 Dafydd Edwards, Head of Finance.

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. We set out below the misstatement we identified in the financial statements, which have been discussed with management but remain uncorrected, and request that these are corrected. If you decide not to correct this misstatement, we ask that you provide us with the reasons for non-correction.

Pension Benefits have been understated as a result of accounting for two payments in the wrong financial year

- Death benefits and other lump sums have been understated by £119,000. Two payments relating to the 2014-15 financial year have been accounted for in 2015-16.

Corrected misstatements

11. There were no corrected misstatements to draw to your attention.

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 was one issue arising in these areas this year.

There is one matter significant to the oversight of the financial reporting process

13. There is one matter significant to the oversight of the financial reporting process to draw to your attention.

The Pension Fund has not updated its Statement of Investment Principles within a three-year period as set out in the requirements of the Statement

- The Pension Fund is required to prepare and publish a written Statement of Investment Principles (SIP). This statement sets out the principles governing its decisions about the investment policy of the Pension Fund. The Statement sets out that it will be subject to a full review at least every three years and a revised statement prepared and published. This should have taken place by 31 March 2015 and is therefore now overdue.

There are no other matters that we need to report to you

14. There are no other matters to report to you. In particular:
- we have no concerns about the qualitative aspects of your accounting practices and financial reporting;
 - we did not encounter any significant difficulties during the audit;
 - there were no significant matters discussed and corresponded upon with management which we need to report to you;
 - we did not identify any material weaknesses in your internal controls; and
 - there are no other matters specifically required by auditing standards to be communicated to those charged with governance.

Recommendations arising from our 2014-15 financial audit work

15. The recommendation arising from our financial audit work is set out in [Appendix 3](#).

Independence and objectivity

16. As part of the finalisation process, we are required to provide you with representations concerning our independence.
17. 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 Gwynedd Pension Fund that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

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

24 September 2015

Dear Sir,

Representations regarding the 2014-15 financial statements

This letter is provided in connection with your audit of the financial statements of Gwynedd Council Pension Fund for the year ended 31 March 2015 for the purpose of expressing an opinion on their truth and fairness.

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 Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.
- 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 Gwynedd Council Pension Fund 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. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

The auditor's report, in paragraph 10, refers to uncorrected misstatements. These apply to transactions relating to 2014/15, but actioned by the Pension Fund's administration unit after 31/03/2015. No amendments have been made for these, as the amounts are not considered to be significant in terms of the "materiality" level for the Pension Fund.

The report, in paragraph 13, notes the need to review the Pension Fund's Statement of Investment Principles (SIP). This will be revised and published in preparation for the triennial valuation as at 31/03/2016.

Representations by Gwynedd Council's Audit 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 Gwynedd Council's Audit Committee on 24 September 2015.

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.

Yours sincerely,

.....

DAFYDD L EDWARDS
HEAD OF FINANCE

Date

.....

COUNCILLOR JOHN PUGHE ROBERTS
AUDIT COMMITTEE CHAIRMAN

Date

Appendix 2

Proposed audit report of the Auditor General to Gwynedd Council

I have audited the accounting statements and related notes of:

- Gwynedd Council; and
- Gwynedd Pension Fund

for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

Gwynedd Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

Gwynedd Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including Gwynedd Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of Gwynedd Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Gwynedd Council as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on the accounting statements of Gwynedd Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Gwynedd Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on other matters

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

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I have carried out the audit of accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales. The audit cannot be formally concluded and an audit certificate issued until enquiries arising from an objection raised by a member of the public has been formally completed. I am satisfied that the amount which is the subject of the objection will not have a material effect on the statement of accounts

**For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ
Xx September 2015**

Appendix 3

Recommendations arising from our 2014-15 financial audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report.

Matter arising 1 – Statement of Investment Principles

| | |
|--|---|
| Findings | The Pension Fund has not reviewed its Statement of Investment Principles within the timeframes set out in the Statement. |
| Priority | Medium |
| Recommendation | The Pension Fund should review its Statement of Investment Principles to ensure that it provides a current framework for operation within the next three years. |
| Benefits of implementing the recommendation | To provide an up-to-date set of Investment Principles within which to operate. |
| Accepted in full by management | Yes |
| Management response | We will comply with the above recommendation in the near future in preparation for the triennial valuation as at 31/03/2016. |
| Implementation date | 2015-16 |

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| | |
|-----------------|---|
| MEETING: | AUDIT COMMITTEE |
| DATE: | 24 SEPTEMBER 2015 |
| TITLE: | TREASURY MANAGEMENT 2015/16 – MID YEAR REVIEW |
| PURPOSE: | CIPFA's Code of Practice recommends that a report on the Council's actual Treasury Management during the current financial year is produced. |
| RECOMMENDATION: | RECEIVE THE REPORT FOR INFORMATION |
| AUTHOR: | DAFYDD L EDWARDS, HEAD OF FINANCE |

EXECUTIVE SUMMARY

During the five month period between 1 April and 31 August 2015, the Council's borrowing remained well within the limits originally set. There were no new defaults by banks in which the Council deposited money.

1. INTRODUCTION

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report provides an additional quarterly update.

The Council's Treasury Management Strategy for 2015/16 was approved by full Council on 5 March 2015 which can be accessed on [https://www.gwynedd.gov.uk/en/Council/Councillors-and-committees/Meetings,-minutes-and-agendas/Meetings,-minutes-and-agendas.aspx?pwyllogor=/2014-15/Cynqor Llawn Full Council/2015-03-05](https://www.gwynedd.gov.uk/en/Council/Councillors-and-committees/Meetings,-minutes-and-agendas/Meetings,-minutes-and-agendas.aspx?pwyllogor=/2014-15/Cynqor%20Llawn%20Full%20Council/2015-03-05)

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. EXTERNAL CONTEXT

As the year began, economic data was largely overshadowed by events in Greece. Markets' attention centered on the never-ending Greek issue stumbled from turmoil to crisis, running the serious risk of a disorderly exit from the Euro. The country's politicians and the representatives of the 'Troika' of its creditors - the European Commission (EC), the European Central Bank (ECB) and the International Monetary

Fund (IMF) – barely saw eye to eye. Greece failed to make a scheduled repayment to the IMF on 30th June, in itself not a default until the IMF's Managing Director declares it so. Prime Minister Tsipras blindsided Greece's creditors by calling a referendum on 5th July on reform proposals which by then were off the table anyway. The European Central Bank froze liquidity assistance provided to Greek banks and capital controls within the country severely restricted individuals' and corporates' access to cash.

On 12th July, following a weekend European Union Summit, it was announced that the terms for a third bailout of Greece had been reached. The deal amounting to €86 billion was agreed under the terms that Greece would see tax increases, pension reforms and privatisations; the very reforms Tsipras had vowed to resist. On 27th August, Alexis Tsipras resigned from his post as Prime Minister of Greece after just eight months in office by calling a snap election, to be held on 20th September. Presumably aiming to solidify his government's position of power, opinion polls in Greece suggest this may have backfired, with the centre-right New Democracy party gaining support and running neck-and-neck with Syriza. Political uncertainty continues.

The summer also saw attention shift towards China as the Shanghai composite index (representing China's main stock market), which had risen a staggering 50%+ since the beginning of 2015, dropped by 43% in less than three months with a reported \$3.2 trillion loss to investors, on the back of concerns over growth and after regulators clamped down on margin lending activity in an effort to stop investors borrowing to invest and feeding the stock market bubble. Chinese authorities intensified their intervention in the markets by halting trading in many stocks in an attempt to maintain market confidence. They surprised global markets in August as the People's Bank of China changed the way the yuan is fixed each day against the US dollar and allowed an aggressive devaluation of the currency. This sent jitters through Asian, European and US markets impacting currencies, equities, commodities, oil and metals. On 24th August, Chinese stocks suffered their steepest one-day fall on record, driving down other equity markets around the world and soon becoming known as another 'Black Monday'.

UK Economy: The economy has remained resilient over the last six months. Although economic growth slowed in Q1 2015 to 0.4%, year/year growth to March 2015 was a relatively healthy 2.9%. Q2 2015 GDP growth bounced back and was confirmed at 0.7%, with year/year growth showing slight signs of slowing, decreasing to 2.6%. GDP has now increased for ten consecutive quarters, breaking a pattern of slow and erratic growth from 2009. The annual rate for consumer price inflation (CPI) briefly turned negative in April, falling to 0.1%, before returning to 0.1%, 0.0% and 0.1% in May, June and July respectively. In the August Quarterly Inflation Report, the Bank of England projected that GDP growth will continue around its average rate since 2013. The Bank of England's projections for inflation remained largely unchanged from the May report with them expecting inflation to gradually increase to around 2% over the next 18 months and then remain there in the near future. Further improvement in the labour market saw the ILO unemployment rate for the three months to April fall to 5.5%, although this ticked back up to 5.6% in subsequent months. In the August report, average earnings excluding bonuses for the three months to June rose 2.8% year/year.

The outcome of the UK general election, largely fought over the parties' approach to dealing with the consequences of the structural deficit and the pace of its removal, saw some very big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics.

The US economy slowed to 0.6% in Q1 2015 due to bad weather, spending cuts by energy firms and the effects of a strong dollar. However, Q2 GDP showed a large improvement at a revised 3.7% (annualised). This was largely due to a broad recovery in corporate investment alongside a stronger performance from consumer and government spending and exports. With the Fed's decision on US interest rate dependent upon data, GDP is clearly supportive. However it is not as simple as that and the Fed are keen to see inflation rise alongside its headline economic growth and also its labour markets. Markets remained split between predicting a rate rise in September or December.

Market reaction: Equity markets initially reacted positively to the pickup in the expectations of global economic conditions, but were tempered by the breakdown of creditor negotiations in Greece. China led stock market turmoil around the globe in August, with the FTSE 100 falling by around 8% overnight on 'Black Monday'. Indices have not recovered to their previous levels but some improvement has been seen. Government bond markets were quite volatile with yields rising (i.e. prices falling) initially as the risks of deflation seemingly abated. Thereafter yields fell on the outcome of the UK general election and assisted by reappraisal of deflationary factors, before rising again. Concerns around China saw yields dropping again through August. Bond markets were distorted by the size of the European Central Bank's QE programme, so large that it created illiquidity in the very markets in which it needed to acquire these bonds, notably German government bonds (bunds) where yields were in negative territory

Local Context

At 31/3/2015 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £174.9m, while usable reserves and working capital which are the underlying resources available for investment were £72.2m.

At 31/3/2015, the Council had £113.7m of borrowing and £56.5m of investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing.

Borrowing Strategy

At 31/8/2015 the Council held £113.5m of loans, (a decrease of £0.2m on 31/3/2015), as part of its strategy for funding previous years' capital programmes.

The Council does not expect to borrow in 2015/16.

Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at

rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain, lower than long-term rates, the Council determined it was more cost effective in the short-term to use internal resources instead.

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Council with this 'cost of carry' and breakeven analysis.

Borrowing Activity in 2015/16

| | Balance on 01/04/15 £m | Maturing Debt £m | New Borrowing £m | Balance on 31/08/15 £m | Avg Rate % and Avg Life (yrs) |
|---|------------------------------|------------------------|------------------------|------------------------------|--|
| CFR | 174,889 | | | | |
| Short Term Borrowing ¹ | 214 | (106) | | 108 | 0 |
| Long Term Borrowing | 111,107 | - | - | 111,107 | 5.78 |
| TOTAL BORROWING | 111,321 | (106) | - | 111,215 | 5.77 |
| Other Long Term Liabilities | 2,372 | (48) | - | 2,324 | 6.17 |
| TOTAL EXTERNAL DEBT | 113,693 | (154) | - | 113,539 | 5.78 |
| Increase/ (Decrease) in Borrowing £m | | | | (154) | |

PWLB Certainty Rate and Project Rate Update: The Council qualified for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 01/11/2014. In September the Council submitted its application to the Treasury to access this reduced rate for a further 12 month period from 01/11/2015.

LOBOs: The Council holds a £16.2m LOBO (Lender's Option Borrower's Option) loan where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The next option is in 2018/19.

Debt Rescheduling:

The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

Changes in the debt portfolio over the quarter have achieved a reduction in the level of borrowing as well as a reduction in credit risk by repaying loans from investment balances.

¹ Loans with maturities less than 1 year.

Investment Activity

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held.

The Welsh Government's Investment Guidance gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

The transposition of European Union directives into UK legislation now places the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors through potential bail-in of unsecured bank deposits.

Given the increasing risk and continued low returns from short-term unsecured bank investments, it is the Council's aim to diversify into more secure and/or higher yielding asset classes during 2015/16. The majority of the Council's surplus cash has been invested in short-term unsecured bank deposits, certificates of deposit and money market funds. Diversification into securities with underlying collateral and investments with organisations which are not subject to bail-in will represent develop going forward.

Investment Activity in 2015/16

| Investments | Balance on 01/04/15 £'000 | Investments Made £'000 | Maturities/ Investments Sold £'000 | Balance on 31/08/15 £'000 | Average Rate % |
|--|------------------------------|---------------------------|--|------------------------------|----------------|
| Unsecured Investments with financial institutions rated A- or higher | | | | | |
| - call accounts | 18,420 | 56,470 | (69,765) | 5,125 | 0.42 |
| - deposits and CDs | 37,002 | 42,000 | (46,002) | 33,000 | 0.70 |
| Secured Investments with financial institutions | 1,121 | 1,102 | 0 | 2,223 | 1.75 |
| - covered bonds | | | | | |
| Investments with Corporates | 0 | 2,018 | 0 | 2,018 | 0.87 |
| - corporate bonds issued by companies | | | | | |
| Money Market Funds | 0 | 81,945 | (69,945) | 12,000 | 0.46 |
| TOTAL INVESTMENTS | 56,543 | 183,535 | (185,712) | 54,366 | |
| Decrease in Investments | | | | (2,177) | |

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Council's minimum long-term counterparty rating for institutions defined as having "high credit quality" is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council diversified into more secure and higher yielding asset classes such as covered bonds which are secured on the financial institutions' assets.

Credit Risk

Counterparty credit quality as measured by credit ratings is summarised below:

| Date | Value Weighted Average – Credit Risk Score | Value Weighted Average – Credit Rating | Time Weighted Average – Credit Risk Score | Time Weighted Average – Credit Rating |
|----------|--|--|---|---------------------------------------|
| 31/03/15 | 5.24 | A+ | 3.62 | AA- |
| 30/06/15 | 4.94 | A+ | 2.95 | AA |

Scoring:

-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit

-AAA = highest credit quality = 1

-D = lowest credit quality = 26

-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Investments were made with banks and building societies and included call accounts, fixed-rate term deposits and certificates of deposit, Money Market Funds, covered bonds and a corporate bond.

Counterparty Update

All three credit ratings agencies have reviewed their ratings in the last quarter to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions have seen upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS) to BBB+ from A, Deutsche Bank to A from A+, Bank Nederlandse Gemeeten to AA+ from AAA and ING to A from A+. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thueringen.

S&P reviewed UK and German banks in June downgrading Barclays' long-term rating to A- from A, RBS to BBB+ from A- and Deutsche Bank to BBB+ from A. As a result of this the Council has made the decision to temporarily suspend Deutsche Bank as a counterparty for new unsecured investments. S&P has also revised the

outlook of the UK as a whole to negative from stable, citing concerns around a planned referendum on EU membership and its affect on the economy.

National Australia Bank (NAB) announced its plans to divest Clydesdale Bank, its UK subsidiary. NAB is looking to list Clydesdale on the London Stock Exchange and transfer ownership to NAB's current shareholders. Fitch placed the long- and short-term ratings of the bank on rating watch negative which the agency is expected to resolve once the transaction has been completed. S&P has also placed the long-term rating of Clydesdale Bank on CreditWatch negative following the announcement.

Budgeted Income and Outturn

The average cash balances were £57.3m during the five months. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels. New deposits were made at an average rate of 0.70%. Investments in Money Market Funds generated an average rate of 0.46%.

The Council's budgeted investment income for the year is estimated at £0.40m. The Council anticipates an investment outturn of 0.53% for the whole year.

Update on Investments with Icelandic Banks

The Council has now received repayment of 98% of the investment in Heritable Bank. The outstanding amount is now £80,376. It is likely that a further distribution will be received although the administrator has not yet made an official estimate of the final recovery.

Compliance with Prudential Indicators

The Council confirms compliance with its Prudential Indicators for 2015/16, which were set in March 2015 as part of the Council's Treasury Management Strategy Statement.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

| | 2015/16 | 2016/17 | 2017/18 |
|--|----------------|----------------|----------------|
| Upper limit on fixed interest rate exposure | 100% | 100% | 100% |
| Actual | 100% | | |
| Upper limit on variable interest rate exposure | 50% | 50% | 50% |
| Actual | 0% | | |

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

| | Upper | Lower | Actual |
|--------------------------------|-------|-------|--------|
| Under 12 months | 25% | 0% | 1.74% |
| 12 months and within 24 months | 25% | 0% | 2.25% |
| 24 months and within 5 years | 50% | 0% | 16.24% |
| 5 years and within 10 years | 75% | 0% | 10.06% |
| 10 years and within 20 years | 100% | 0% | 32.00% |
| 20 years and within 30 years | 100% | 0% | 13.62% |
| 30 years and within 40 years | 100% | 0% | 1.56% |
| 40 years and within 50 years | 100% | 0% | 22.53% |

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

| | 2015/16 | 2016/17 | 2017/18 |
|---|---------|---------|---------|
| Limit on principal invested beyond year end | £40m | £30m | £25m |
| Actual | £3.22m | £2.22m | £2.22m |

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average [credit rating] or [credit score] of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

| | Target | Actual |
|--------------------------------|--------|--------|
| Portfolio average credit score | 6.0 | 2.95 |

Investment Training

During the period officers have attended investment training with Arlingclose and CIPFA relevant to their roles.

Outlook for Q3 and Q4 2015/16

Arlingclose's expectation for the first rise in the Bank Rate (base rate) remains the second calendar quarter of 2016. The pace of interest rate rises will be gradual and the extent of rises limited. The appropriate level for Bank Rate for the post-crisis UK economy is likely to be lower than the previous norm. We would suggest this is between 2.0% and 3.0%. There is also sufficient momentum in the US economy for the Federal Reserve to raise interest rates in 2015, although risks of issues from China could possibly push this back.

The weak global environment and resulting low inflation expectations are likely to dampen long term interest rates. We project gilt yields will follow a shallow upward path in the medium term, with continuing concerns about the Eurozone, and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued. The uncertainties surrounding the timing of UK and US interest rate rises, and the Chinese stock market-led turmoil, are likely to prompt short term volatility in gilt yields.

| | Sep-15 | Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Average |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Official Bank Rate | | | | | | | | | | | | | | |
| Upside risk | | | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.32 |
| Arlingclose Central Case | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 1.00 | 1.00 | 1.25 | 1.25 | 1.50 | 1.50 | 1.75 | 1.75 | 1.08 |
| Downside risk | | | | -0.25 | -0.25 | -0.50 | -0.50 | -0.75 | -0.75 | -1.00 | -1.00 | -1.00 | -1.00 | -0.70 |

Prudential Indicators 2015/16

The Local Government Act 2003 requires the Council to have regard to CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Council's planned capital expenditure and financing may be summarised as follows.

| Capital Expenditure and Financing | 2014/15 Actual £m | 2015/16 Estimate £m | 2016/17 Estimate £m | 2017/18 Estimate* £m |
|-----------------------------------|-------------------|---------------------|---------------------|----------------------|
| General Fund Expenditure | 32.4 | 41.3 | 16.9 | 8.6 |
| Capital Receipts | 1.9 | 1.5 | 0.0 | 0 |
| Government Grants | 15.5 | 13.2 | 4.3 | 2.9 |
| Reserves | 6.4 | 8.1 | 1.2 | 2.9 |
| Revenue | 4.1 | 4.5 | 6.6 | 0 |
| Borrowing | 4.5 | 14.0 | 4.8 | 2.8 |
| Total Financing | 32.4 | 41.3 | 16.9 | 8.6 |

* The estimate for 2017/18 does not include new schemes as they have not yet been approved.

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

| Capital Financing Requirement | 31/03/15 Actual £m | 31/03/16 Estimate £m | 31/03/17 Estimate £m | 31/03/18 Estimate £m |
|-------------------------------|--------------------|----------------------|----------------------|----------------------|
| General Fund | 174.9 | 179.0 | 182.9 | 179.5 |

The CFR is forecast to rise by £4.6m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

| Debt | 31/03/15 Actual £m | 31/08/15 Actual £m | 31/03/16 Estimate £m | 31/03/17 Estimate £m | 31/03/18 Estimate £m |
|-------------------|--------------------------|--------------------------|----------------------------|----------------------------|----------------------------|
| Borrowing | 112.4 | 111.3 | 111.1 | 109.1 | 106.6 |
| Finance leases | 2.5 | 2.5 | 2.3 | 2.2 | 2.1 |
| Total Debt | 114.9 | 113.8 | 113.4 | 111.4 | 108.7 |

Total debt is expected to remain below the CFR during the forecast period.

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

| Operational Boundary | 2014/15 £m | 2015/16 £m | 2016/17 £m | 2017/18 £m |
|-----------------------------|---------------|---------------|---------------|---------------|
| Borrowing | 175 | 175 | 175 | 175 |
| Other long-term liabilities | 0 | 0 | 0 | 0 |
| Total Debt | 175 | 175 | 175 | 175 |

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

| Authorised Limit | 2014/15 £m | 2015/16 £m | 2016/17 £m | 2017/18 £m |
|-----------------------------|---------------|---------------|---------------|---------------|
| Borrowing | 195 | 195 | 195 | 195 |
| Other long-term liabilities | 0 | 0 | 0 | 0 |
| Total Debt | 195 | 195 | 195 | 195 |

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

| Ratio of Financing Costs to Net Revenue Stream | 2014/15 Actual % | 2015/16 Estimate % | 2016/17 Estimate % | 2017/18 Estimate % |
|--|------------------------|--------------------------|--------------------------|--------------------------|
| General Fund | 5.08 | 5.68 | 5.81 | 5.73 |

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

| Incremental Impact of Capital Investment Decisions | 2015/16 Estimate £ | 2016/17 Estimate £ | 2017/18 Estimate £ |
|---|-------------------------------|-------------------------------|-------------------------------|
| General Fund - increase in annual Band D Council Tax | 0 | 0 | 0 |

Adoption of the CIPFA Treasury Management Code: The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in March 2011.

Agenda Item 7

| | |
|-----------------------|--|
| COMMITTEE | AUDIT COMMITTEE |
| DATE | 24 SEPTEMBER 2015 |
| TITLE | REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP |
| PURPOSE OF THE REPORT | TO REPORT ON THE MEETING HELD ON 20 AUGUST 2015 |
| AUTHOR | JOHN PUGHE ROBERTS, CHAIR OF THE AUDIT COMMITTEE |
| ACTION | TO ACCEPT THE REPORT AND CONSIDER THE RECOMMENDATIONS |

1. INTRODUCTION

- 1.1 The executive summaries of 24 reports were presented to the Audit Committee meeting on 30 June 2015, which represented reports that had been released finally between 1 February and 30 March 2015 (reports from the 2014/15 audit plan). Five of these reports received a 'C' opinion.
- 1.2 Furthermore, the executive summaries of seven reports were presented to the Audit Committee meeting on 16 July 2015, which represented reports that had been released finally between 1 April and 30 June 2015 (reports from the 2015/16 audit plan). Two of these reports received a 'C' opinion.
- 1.3 As well as these seven reports, the Committee decided that the Working Group should also consider the Parking Enforcement report that was given a 'B' opinion.
- 1.4 At the Audit Committee held on 16 July 2015, a member drew attention to a matter that concerned him, namely the leasing of the Rhyd Ddu Outdoor Centre to Antur Nantlle Cyf. I suggested at the Committee that the relevant officers could be invited to the next meeting of the Controls Improvement Working Group to discuss the matter with the member present.

2. WORKING GROUP MEETING

- 2.1 A meeting of the Working Group was held on 20 August with the Chairman and Vice-chairman of the Committee and Councillors Angela Russell, Trefor Edwards and Dilwyn Morgan and Luned Fôn Jones, Audit Manager present. Dewi Morgan, Senior Manager - Revenues and Risk, was also present for some specific items.
- 2.2 As well as the leasing arrangements of Rhyd Ddu Outdoor Centre, the Working Group addressed the following reports:

| TITLE | DEPARTMENT | SERVICE | OPINION |
|--|----------------------------------|--------------------------------|----------------|
| IT Backups and Service Continuity Arrangements | Finance | Information Technology | C |
| Parking Enforcement | Regulatory | Transportation and Street Care | B |
| Health and Safety - Lone Working | Corporate | | C |
| First Aid Payments | Corporate | | C |
| Jobs System | Corporate | | C |
| Travelling Costs of Community Care Workers | Adults, Health and Well-being | Community Care | C |
| Children Services - Commissioning Care | Children and Supporting Families | Children and Families | C |
| Gwynedd Museum and Gallery Development Plan | Economy and Community | Archives, Museums and Arts | C |

2.3 Officers attended to discuss the items.

2.4 IT - Backups and Service Continuity Arrangements

2.4.1 The main findings of the audit were as follows:

One of the main weaknesses highlighted during the audit was that the Information Technology Service does not have a current business continuity plan. The service provides for a number of services with differing needs within the Council, and it is therefore crucial that their needs are highlighted and that there are measures in place for the recovery of their specific services. It was seen that an 'IT Disaster Recovery Plan' had been produced in relation to the recovery of the whole Council's Information Technology. However, it should be ensured that a service continuity plan in line with the template produced by the North Wales authorities' collaboration forum is prepared. Although there is no plan in place, arrangements have been established for reviewing the arrangements in the next weeks.

Another weakness highlighted was that the testing work had not been undertaken for a number of years, which could mean that processes do not work effectively. It should be noted that arrangements have been established by now for October 2015.

2.4.2 Huw Ynyr, Senior Manager - Information Technology and Business Transformation, Finance, was welcomed to the meeting.

2.4.3 The Audit Manager provided the background of the report. She explained that the audit was included in the audit plan due to the importance of providing services for the people of Gwynedd under any circumstances. To this end, it is essential that the Information Technology Service has appropriate plans in place in order to ensure resilience because all Council services are reliant on the Information Technology Service continuing to provide a service for them should an incident occur.

2.4.4 The Audit Manager explained that the Information Technology Service was under enormous work pressures, with several services submitting requests to them for improvements to their current systems together with developing solutions as a result of Ffordd Gwynedd Reviews.

2.4.5 The Audit Manager also said that a follow-up audit was planned for quarter 3 of the current year.

2.4.6 The Senior Manager - Information Technology and Business Transformation explained that the Service was now accountable to the Head of Finance and his satisfaction with this arrangement. He expressed that the Finance Management Team has reviewed its service continuity plans and that the Information Technology Service's plan has already been sent for the attention of the Risk Co-ordinator and Insurance Manager. He added that he was currently developing a new Strategy for the Service and the Draft Strategy will be presented for approval in the near future.

2.4.7 The Senior Manager was asked if he accepted the recommendations of the report and he noted that he agreed with all the recommendations and that work was already underway to achieve them. In terms of the resilience testing work, he explained that a third party company would be testing the resilience of the Headquarters Office in September 2015 followed by the Contact Centre in Penrhyndeudraeth and the Headquarters in October 2015.

- 2.4.8 The Senior Manager IT and Business Transformation emphasised that he was aware that the IT Service was not reaching the expected requirements in full but that a lack of resources had been a problem. He was also of the opinion that the audit report achieved its purpose.
- 2.4.9 The Senior Manager - Information Technology and Business Transformation was thanked for attending the meeting, and for explaining the action that was underway.

2.5 Parking Enforcement

- 2.5.1 The main findings of the audit were as follows:

It can be seen that the partnership is operating successfully and that the Council benefits from being part of it because there is robust and clear guidance available. Despite the Partnership's success, it is felt that the unit should have its own back-up procedures in case unforeseeable circumstances force the Partnership to come to an end. It can be seen that there is a good relationship between members of the parking enforcement team and there is regular communication between the Managers and front-line staff. It is felt that there is room to formalise the communication by holding regular staff meetings. It can be seen that the staff are qualified to operate effectively in their roles as Civil Enforcement Officers and arrangements have been established to safeguard them under conditions when there is a high risk to their health and safety. It appears that there is a strong support for them from the Managers. The way in which the financial situation is reported upon is a cause for concern as incorrect information regarding expenditure and the budget has been sent to the Managers. It is also felt that the reports omit some details that could be of benefit to the Managers.

- 2.5.2 Dafydd Wyn Williams, Head of Regulatory was welcomed to the meeting.
- 2.5.3 The Audit Manager explained that the report was given a 'B' opinion as the arrangements and controls generally worked effectively and efficiently. However, the members of the Audit Committee, at its meeting in June, felt that the Working Group should have an opportunity to discuss specific elements in more depth.
- 2.5.4 The Audit Manager explained that the audit encompassed the duties of employees and lone-working as well as the arrangements for income deriving from the parking fines. She explained that elements of the audit touched on matters included in the 'Health and Safety – Lone-Working' review.
- 2.5.5 The Head of Regulatory referred to one of the main risks highlighted during the audit, namely what the implications would be for Gwynedd Council should there be a problem in the partnership and he explained that this was being addressed despite the fact that the Partnership's current arrangements were working well with two other Councils having recently joined the Partnership. In relation to the safety of the enforcement staff, he explained that Gwynedd Council was in the process of carrying out a pilot with bodycams and that the officers' response varied with some feeling that they gave reassurance when carrying out their duties and others were of the opinion that wearing them can enrage some members of the public.

- 2.5.6 The Head was asked whether the Civil Enforcement Officers had Contracts of Employment, and if so did they note their hours of work. The Head of Regulatory explained that they did have contracts, but that they did not work fixed hours due to the need for them to work flexible hours which is dependent on the need to enforce which usually comes in response to complaints. He noted that rotas are produced for officers which give details of their hours.
- 2.5.7 The members enquired whether the Civil Enforcement Officers had the right to work any hours they wished and whether the Council's insurance policy would cover them in such circumstances. The Audit Manager explained that the Council had a 24 hour insurance policy and the Head of Regulatory added that the Civil Enforcement Officers' line managers were aware of the officers' working hours. He agreed that it was essential that there is accountability if officers work beyond rota hours without direction.
- 2.5.8 The Head of Regulatory was thanked for attending the meeting, and for providing clear answers explaining the situation.

2.6 Health and Safety - Lone Working

- 2.6.1 The main findings of the audit were as follows:

A sample of six services across the Council was examined. It was found that there was no up-to-date risk assessment for lone-working in over half the sample and some had no risk assessment at all. It is important to ensure that risks facing Council employees are alleviated as far as is practically possible. Identifying the risks will assist in achieving this and in making appropriate decisions on how to mitigate them. Also, there is a need to identify a work procedure for lone-working which includes the steps that should be followed and what is expected of the officers that are lone-workers. Having these in writing strengthens the process and ensures that officers are aware of the procedure and that there is no misunderstanding of what is expected of them. It also provides evidence that the Council takes its responsibility to take reasonable care of its employees' health and safety seriously. However, it was not apparent that the Managers were aware of their responsibilities to ensure health and safety arrangements for their employees.

It was also seen that it would be worthwhile for Managers to look into the resources and technologies that are available to support lone-workers and to make the most of them.

- 2.6.2 Geraint Owen, Head of Corporate Support, was welcomed to the meeting and Dafydd Wyn Williams, Head of Regulatory Department stayed for the item.
- 2.6.3 The Audit Manager explained that the audit has been included in the Audit Plan as a result of the decision to do away with the lone-working corporate system. Though a decision has been taken to dispose of the system, the Council takes reasonable care of the health and safety of the workforce.

- 2.6.4 The Audit Manager emphasised that it is the services' responsibility to establish and conduct lone-working risk assessments and not the responsibility of the Health, Safety and Well-being Service. The Health, Safety and Well-being Service has a consultative role; however, its responsibilities extend to holding periodical checks of the risk assessments and to providing advice and options where necessary.
- 2.6.5 Some staff members' duties mean that they deal with people in difficult and sensitive circumstances at times, whether that be in their homes or on the street. Therefore, it is essential that the managers of these officers identify and record situations of high risk to the safety of these workers and ensure that they have received relevant training on personal safety.
- 2.6.6 The Head of Corporate Support welcomed what was expressed by the Audit Manager in relation to responsibilities and he elaborated that very little use was made of the previous lone-working system and that the Corporate Health and Safety policy has been reviewed and that it will be addressed in autumn.
- 2.6.7 The Head of Corporate Support explained that, over the last year, a team of Health, Safety and Well-being Service officers prepared:
- A lone-working leaflet
 - A generic risk assessment for lone-working
 - Personal Safety Procedure
- He said that 30 members of staff had attended personal safety training in 2012-13, 100 in 2013-14 and 268 in 2014-15. This is a total of approximately 400 staff. However, he explained that approximately 1,000 staff have been identified as lone-workers which means that only around 40% have received training.
- 2.6.8 A member asked the Head of Corporate Support whether he agreed with the recommendations and he noted that he welcomed the recommendations and that there may be a possibility that Internal Audit would consider jointly holding an-audit with the Health and Safety Service in the future.
- 2.6.9 A member expressed the importance of raising the awareness of the services about personal safety and lone-working and the need for staff to be aware of the need for them to attend training.
- 2.6.10 The Head of Corporate Support was thanked for outlining the arrangements and the latest situation.

2.7 First Aid Payments

2.7.1 The main findings of the audit were as follows:

The results of the audit tests and the supporting evidence show that there are no appropriate procedures in place to ensure that only qualified officers receive the monthly payments. A number of examples were seen where officers receive payments, however there was no current first aid certificate to support the payments. In addition, it should be ensured that the duties for first aid arrangements are identified and there is appropriate training for them. Following discussions with officers in the Human Resources Department it became evident that 'First Aid' had not been identified as part of the training for site managers.

It was seen that the lists of first aid officers exhibited in the offices included the names of officers, telephone numbers, department and location (including the room number if appropriate). However, it was seen that some lists had not been updated for some time and, therefore, contained incorrect details, which means that a person requiring first aid would not be able to find them.

2.7.2 Geraint Owen, Head of Corporate Support, was present to discuss this item.

2.7.3 The Audit Manager explained that the aim of the audit was to ensure that payments are made to officers with current first aid training certificates. The audit did not encompass leisure centres and residential homes staff because any payment in relation to first aid is already reflected in their salaries.

2.7.4 The Audit Manager noted that the main weakness was that the Site Managers of the Council's main offices were not aware that it was their duty to ensure an adequate number of First Aid Assistants. She explained that this would be further addressed during follow-up work which has been planned for quarter 3 of 2015-16.

2.7.5 The Audit Manager explained that Internal Audit checked the presence of a first aid box, its contents and location as well as checking the details of qualified individuals during every audit in establishments since April 2015. This had been agreed with the Head of Corporate Support when discussing the Audit Plan for 2015-16.

2.7.6 The Head of Corporate Support noted that he welcomed the co-operation with Internal Audit and that checks undertaken by Internal Audit in establishments were an excellent example of collaboration and was a step in the right direction.

2.7.7 The Head of Corporate Support explained that he accepted the comments in the report about the failure of the site managers of the main offices to fulfil their responsibilities in full despite the fact that they receive financial remuneration for this; however, since the report was published the Health, Safety and Well-being Service has focused on assisting these site managers.

- 2.7.8 The Head of Corporate Support further noted that the Education Department had raised the awareness of School Headteachers but that it was the decision of the school's governing body as to whether or not first aid assistants are paid. He explained that it was a requisite part of the job within the Leisure Centres to obtain a First Aid certificate and he noted that the arrangements in relation to the certificate were deficient. He said that the Site Managers should shoulder their responsibilities but that the Health, Safety and Well-being Service was available to support them.
- 2.7.9 A member enquired whether there was a defibrillator in the Council offices. The Head of Corporate Support explained that one was bought from the Occupational Health Service's reserves and that it is located in Siop Gwynedd and that there was a defibrillator in every leisure centre.
- 2.7.10 The Head of Corporate Support was thanked for his constructive comments.

2.8 Jobs System

- 2.8.1 The main findings of the audit were as follows:

The Gwynedd Jobs System was developed as a basis to assist with proposed solutions as a result of the Ffordd Gwynedd reviews, e.g. self-service for submitting travelling and subsistence costs. However, for the services selected to undertake checks, it was found that there were substantial weaknesses, especially from the perspective of the accuracy of the hierarchical management framework. Several factors contribute to this failure, including lack of awareness of the system from the viewpoint of managers, lack of appropriate training for officers of the Support Service and lack of awareness of managers/senior managers of the need to introduce any changes in structure and accountability to the relevant services within the Human Resources Department.

It was seen that the details of the payroll system were compared with the details in the jobs system daily (overnight) - the data is matched on the basis of post number. A "Missing Posts" report was run which provided details of employees who were on the payroll but where there were no details of them on the jobs system. It was found that investigations were not undertaken in these cases and failure to check the details could lead to the possibility that a ghost employee could be on the payroll. Details of the Gwynedd Jobs System also feed into Dolen Ddysgu and this means that the details of that database are not correct either and therefore it has implications for the Learning and Development Service. Neither was the system recording correctly the contractual hours of employees on a temporary contract on every occasion. This issue has already been identified and it has been addressed.

It is important to acknowledge that much work and effort has been made on developing the Gwynedd Jobs System and there is no criticism from the perspective of the operation of the system but rather the details inputted into the database. If the system is to be a basis for solutions, it is crucial that the data is correct and that arrangements have been established to cope with those employees that have multiple jobs.

- 2.8.2 Geraint Owen, Head of Corporate Support, was present to discuss this item.
- 2.8.3 The Audit Manager explained that the Jobs System is a database which records the details of the Council's structure – the database contains the details of all jobs on the structure along with every post-holder. The Jobs System is an internal development which has been developed to implement solutions as a result of the Ffordd Gwynedd Reviews. It is hoped that the procedures and systems will be on a self-service basis i.e. staff will have the ability to submit their own travelling costs/requests for leave/flexi system etc. online, with minimal authorisation/endorsement by their line managers. In order to implement this, it is essential that the management tree or chain is accurate on any system that is developed. Unfortunately, in carrying out reality checks, it was seen that significant weaknesses existed in the accuracy of the data.
- 2.8.4 The Audit Manager also noted that other weaknesses had been highlighted, such as the implications for the Learning and Development Service database, *Dolen Dysgu*, which reads information from the jobs system; records casual workers' hours and also staff in multiple jobs. Work has been undertaken to clean the data since the report was released; however, the Audit Manager was of the opinion that a considerable amount of work needed to be done before any development could be submitted which is dependent on the accuracy of the details on the jobs system.
- 2.8.5 The Head of Corporate Support explained that it was essential to have one complete and accurate database as a result of the decision not to procure an integrated salaries and human resources system. It was explained to the Working Group that several services relied on the core information in the jobs system, such as *Dolen Dysgu* and the Health and Safety Service.
- 2.8.6 Since the report was released, an officer from the Corporate Support Department is in the process of visiting every Senior Manager within the Council to train them on how to check the system as well as reviewing their structures. The Head of Corporate Support agreed that staff on temporary and casual contracts needed to be addressed and that 'missing jobs' has already been given considerable attention.
- 2.8.7 The Head of Corporate Support was thanked for attending the meeting.

2.9 Travelling Costs of Community Care Workers

- 2.9.1 The main findings of the audit were as follows:

The audit test results and the supporting evidence shows that there are no appropriate and consistent controls in place across the three areas in order to ensure the accuracy of the travelling costs claims. Unfortunately, this may contribute to the fact that the 'Community Care' travelling budget overspent by approximately £128k during 2014-15. It was seen that the checks made on the travelling costs forms focused on the vehicle milometer readings rather than the total claimed and how this compares to their work rota. However, recently it was seen that one area had taken action to strengthen their arrangements having found that the miles claimed were suspiciously high.

- 2.9.2 Aled Davies, Head of Adults, Health and Well-being was welcomed to the meeting.

- 2.9.3 The Audit Manager explained that the audit was included in the 2015-16 audit plan at the request of the Senior Executive Manager of the Provider Services (Gwenno Williams), due to the overspend on the budget of the community care workers' travelling costs. The Audit Manager explained that this was an increasing problem, with the overspend having a detrimental effect on the budget of the Provider Services.
- 2.9.4 It was explained that one of the audit's recommendations was to reduce the emphasis on checking the mileage clock readings and focusing on the journey from A to B. This matches the principles of Ffordd Gwynedd. The Senior Executive Manager agreed with the recommendation and this is already underway across the County.
- 2.9.5 The Head of Adults, Health and Well-being noted that the audit was an extremely effective piece of work. He explained that the overspend could be due to a combination of several factors including the possibility that the budget was incorrect in the first place; however, since receiving the audit report, new arrangements have been adopted including establishing rotas and recording the miles to be claimed as well as tidying the rotas in general and that the outcome of this work was encouraging.
- 2.9.6 One of the members was concerned about the overspend in the Dwyfor Area. The Head of Adults, Health and Well-being noted that the reason for this was unclear but that recruiting carers in the Meirionnydd area was a problem.
- 2.9.7 A member asked how many carers were employed by the Council. The Head of Adults, Health and Well-being noted that over 800 carers were employed at present.
- 2.9.8 A member enquired whether the care packages are reviewed. The Head of Adults, Health and Well-being explained that packages are reviewed and that they are considering providing equipment to the individual rather than providing care if that is relevant and that some of the Department's savings schemes were based on reviews of these care packages.
- 2.9.9 The Head of Adults, Health and Well-being was thanked for attending the meeting, and for updating the Working Group about the developments and schemes that are underway.

2.10 Children Services - Commissioning Care

- 2.10.1 The main findings of the audit were as follows:

Some examples of good practice were seen in the Care/Commissioning Resources Service – Post 16 Team. It was seen that there is a framework for commissioning care for post 16 children. However, it appears that not many providers offer the necessary service locally. It was seen that there was no robust monitoring of service providers and the finance element needed to be monitored regularly. Unfortunately, some documents were not received for some of the tests by the Service following several attempts and requests for evidence. Appropriate steps should be taken to strengthen the controls within the field audited.

- 2.10.2 Kevin Thomas, Post-16 Team Manager, Children and Supporting Families Department, was welcomed to the meeting.

- 2.10.3 The Audit Manager provided the background of the audit. The main recommendation of the audit was the need to establish an Individual Placement Agreement. This has been partly implemented – it was seen that an Individual Placement Agreement has been produced and distributed to staff members with direction for them to ensure implementation by the end of August.
- 2.10.4 The Audit Manager explained that a follow-up audit had already been held, with the result that implementation was acceptable with eight recommendations either implemented or partly implemented.
- 2.10.5 The Post-16 Team Manager provided some background to the work and noted that their arrangements had been informal and ad hoc and that he agreed with the auditors about the need to have more structured arrangements. He explained that it was the Pathway Plan which provided details about the individual's needs and that elements of the Pathway Plan have now been incorporated in the Individual Placement Agreement.
- 2.10.6 A member enquired whether the Post-16 Team Manager accepted the recommendations of the audit report. The Post-16 Team Manager noted that he accepted the recommendations in full.
- 2.10.7 A member enquired why the audit had been included in the 2014-15 Audit Plan. The Senior Manager - Revenues and Risk explained that the audit had been included in the annual Audit Plan as a result of a discussion at the Social Services Management Team (as it was at the time) as this was an area with elements of high risk.
- 2.10.8 The Post-16 Team Manager was thanked for attending the meeting and outlining the developments since releasing the audit report.

2.11 Gwynedd Museum and Gallery Development Plan

- 2.11.1 The main findings of the audit were as follows:

Although steps had been taken to strengthen the internal controls as the development plan progressed, it was found that there were weaknesses in the risk management arrangements early in the project. The main risk was a failure to establish a written contract under seal in accordance with the expectations, although the submitted tender document mitigated many of these risks. It was also found that no bond had been established with the contractor at one stage of the project.

By the release of this report, these matters had been rectified.

- 2.11.2 Sioned Williams, Head of Economy and Community and Roland Evans, Senior Manager - Tourism and Heritage were welcomed to the meeting.

- 2.11.3 The Audit Manager provided the background of the audit. The Gwynedd Museum and Gallery is part of a programme that is funded through Môn Menai and the Heritage Lottery Fund as well as funding from Gwynedd Council and Bangor University. The Museum and Gallery is located in the former Town Hall building, Bangor. The Audit Manager explained that the main issues highlighted in the audit – namely failure to establish a sealed written contract and establish a bond with a contractor - had been addressed during the period between publishing the draft report and the final report, which is to be praised.
- 2.11.4 The Audit Manager noted that a follow-up audit had been planned for quarter 4 of the current year and that audit will encompass elements of closing the project including producing a project closure report, lessons learned report as well as financial reports and checking that the recommendations of the original report have been implemented appropriately.
- 2.11.5 The Senior Manager – Tourism and Heritage explained that it was the Economy and Community Department that asked Internal Audit to undertake an audit of this project as this was the largest grant that the Heritage Lottery Fund had awarded in Wales. He explained that the project was ambitious and that the Service was not familiar with managing projects of this scale. He noted that Internal Audit had identified gaps as a result of the audit but that the purpose was to ensure that arrangements worked effectively.
- 2.11.6 A member enquired why a payment was made before the work had been finished and why was the contract not signed when a contractor was designated. The Senior Manager – Tourism and Heritage noted that the payment had to be made or the grant funding would have been lost. He noted that the contract had been signed later and that this was not unique to capital schemes.
- 2.11.7 The Senior Manager - Revenues and Risk explained the importance of balancing risk – what is the risk of taking action against the risk of not taking action, and the importance that everything is considered. The Head of Economy and Community noted that a 'lessons learned log' had been prepared along with a risk register.
- 2.11.8 A member enquired whether the work had been completed. The Economy and Community officers explained that the building had been transferred on 20 August, 2015 and that the aim was to open during the half term holiday in October 2015.
- 2.11.9 The Economy and Community officers explained that they worked closely with the Heritage Lottery Fund and that the Finance Department prepared monitoring reports for them. Also, it was explained that the Heritage Lottery Fund had highlighted the risk that a full-time team was not involved with the project. The Senior Manager – Tourism and Heritage explained that they were in the process of evaluating consultants to evaluate the project.
- 2.11.10 The Head of Economy and Community and the Senior Manager - Tourism and Heritage were thanked for attending the meeting and for their comments.

2.12 Rhyd Ddu Outdoor Centre – Leasing Arrangements

- 2.12.1 Sioned Williams, Head of Economy and Community, was present to discuss this item.
- 2.12.2 At the Audit Committee held on 16 July 2015, a member drew attention to a matter that caused him concern, namely the leasing of the Rhyd Ddu Outdoor Centre to Antur Nantlle Cyf. The Chairman suggested at the Committee that the relevant officers could be invited to the next meeting of the Controls Improvement Working Group to discuss the matter with the member present.
- 2.12.3 The Audit Manager explained that Gwynedd Council had been successful in obtaining Cyfenter grant funding - a grant to invest in renovating the School House building, Rhyd Ddu. Cyfenter offers investments to Social Enterprises; therefore, it was necessary to adhere to the terms and conditions of the grant. A Social Enterprise is a business which trades for strong social and/or environmental purposes and generating profit is not its main objective. An advert was placed on Sell2Wales looking for providers to undertake the work of providing accommodation at the Rhyd Ddu Outdoor Centre and expressions of interest were invited. Following a second advertisement on Sell2Wales, it became apparent that Antur Nantlle was the only prospective partner.
- 2.12.4 The Senior Manager - Revenues and Risk explained that Gwynedd Council has made every effort to try to establish a self-sufficient Rhyd Ddu Outdoor Centre but that this had not been successful and, consequently, when the opportunity arose to lease it, from a financial perspective, he was supportive of the decision.
- 2.12.5 The Head of Economy and Community noted that the Centre is a historic site and expressed its importance to the school pupils of Gwynedd. As a result of the fact that the Centre was not self-sufficient, there were three options, namely, dispose of the building for capital receipts; lease to social enterprises but with no commitment to schools and lastly, lease to social enterprises but continue to maintain the provision for schools. It was resolved that, due to the importance of the building, the ideal option would be to lease it to social enterprises with a commitment to continue with provision for schools.
- 2.12.6 The Head of Economy and Community explained that an officer from the Strategic and Improvement Department had contacted social enterprises in the area as a result of a lack of interest when it was advertised on Sell2Wales. Only one social enterprise showed an interest, namely Antur Nantlle Cyf.
- 2.12.7 The Senior Manager - Revenues and Risk noted the importance of reminding members that they have a period of five days to offer comments on individual member's decision notices before the decision comes into effect and that no comments were received in this case.
- 2.12.8 The members expressed disappointment that the member who had enquired about the matter had not attended the meeting.
- 2.12.9 The Head of Economy and Community was thanked for attending the meeting and explaining the decision.

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Agenda Item 8

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|-------------------|--|
| COMMITTEE | AUDIT COMMITTEE |
| DATE | 24 SEPTEMBER 2015 |
| TITLE | OUTPUT OF THE INTERNAL AUDIT SECTION |
| PURPOSE OF REPORT | TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 11 SEPTEMBER 2015 |
| AUTHOR | LUNED FÔN JONES – AUDIT MANAGER |
| ACTION | TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION |

1. INTRODUCTION

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 1 July 2015 to 11 September 2015.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following work was completed in the period to 11 September 2015:

| Decription | Number |
|---|--------|
| Reports on Audits from the Operational Plan | 8 |
| Follow-up Audits | 2 |

Further details regarding this work are found in the body of this report and in the enclosed appendices.

2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 11 September 2015, indicating the relevant opinion category and a reference to the relevant appendix.

| TITLE | DEPARTMENT | SERVICE | OPINION | APPENDIX |
|---|------------------------------|------------------------|---------|------------|
| Communication with Schools | Education | Schools | B | Appendix 1 |
| Chairman's Fund | Corporate Support | Democracy | B | Appendix 2 |
| Main Accounting System – Review of Key Controls | Finance | Accountancy | A | Appendix 3 |
| Revenues System – Closure 2014-15 | Finance | Revenues | B | Appendix 4 |
| Siebel – eFinancials Interface | Finance | Information Technology | A | Appendix 5 |
| Removing Leavers from IT Systems | Corporate | | C | Appendix 6 |
| Validity of Invoices from Private Providers | Adults, Health and Wellbeing | Adults | B | Appendix 7 |
| Charges on Properties of Home Residents | Adults, Health and Wellbeing | Residential and Day | C | Appendix 8 |

2.2.2 The opinion categories within the reports affirm the following:

- Opinion "A" Assurance of financial propriety can be expressed as the controls in place can be relied upon and have been adhered to.
- Opinion "B" Controls are in place, and partial assurance of financial propriety can be expressed as there are aspects where some procedures can be strengthened.
- Opinion "C" Assurance of financial propriety cannot be expressed as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered.
- Opinion "CH" Assurance of financial propriety cannot be expressed as acceptable internal controls are not in place; losses/fraud resulting from these weaknesses were discovered.

2.3 Follow-up Audits

2.3.1 The following table summarises the follow-up work completed during the period:

| TITLE | DEPARTMENT | SERVICE | FOLLOW-UP OPINION |
|---|-----------------------|-------------------|-------------------|
| Children's Services – Commissioning of Care | Children and Families | Children | Acceptable |
| Food Hygiene, Health and Safety Inspection Programmes | Regulatory | Public Protection | Acceptable |

2.3.2 The conclusion of follow-up work is placed in one of four categories:

Excellent - all recommendations implemented as expected.

Acceptable - most recommendations, including the majority of "essential" recommendations, implemented as expected.

Unsatisfactory - several recommendations not implemented.

Unacceptable – most recommendations (including essential recommendations) not implemented, and no evidence of efforts to improve internal controls.

2.3.3 The list below shows the 'C' or 'CH' opinion category reports presented to the Audit Committee as appendices to the quarterly reports, where a report to the Committee regarding the follow-up remains outstanding. The list shows the target completion date for each of these follow-up audits:

Completion Target: Quarter ending 30 September 2015

Direct Payments

Completion Target: Quarter ending 31 December 2015

Jobs System – Security and Accuracy

IT – Backups and Service Continuity

First Aid Payments

Completion Target: Quarter ending 31 March 2016

Health and Safety – Lone Working

Gwynedd Museum and Gallery

Community Care Workers – Travelling Costs

Completion Target: Quarter ending 30 June 2016

Charges on Properties of Home Residents

Removing Leavers from IT Systems

3. WORK IN PROGRESS

3.1 The following work was in progress as at 14 September 2015.

3.2 WORK IN PROGRESS

- Use of Consultants (*Corporate*)
- Awareness of Whistleblowing Policy – Manual Workers (*Corporate*)
- Corporate Assessment (*Corporate*)
- Officers Gifts and Hospitality – High Risk Services (*Corporate*)
- Proactive Prevention of Fraud and Corruption (*Corporate*)
- Information Governance – Data Protection Act (*Corporate*)
- National Fraud Initiative (*Corporate*)
- School Catering (*Education*)
- Schools – Governance (*Education*)
- Workforce Modelling (*Education*)
- North and Mid Wales Trunk Road Agency
- Debtors System – Review of Key Controls (*Finance*)
- Payments System – Review of Key Controls (*Finance*)
- Bank Reconciliation – Review of Key Controls (*Finance*)
- Payroll System – Review of Key Controls (*Finance*)
- Pension Fund – Review of Key Controls (*Finance*)
- Benefits – Review of Key Controls (*Finance*)
- Council Tax System – Review of Key Controls (*Finance*)
- NNDR – Review of Key Controls (*Finance*)
- Leisure Centres – Income Collection (*Economy and Community*)
- Sailing Academy (*Economy and Community*)
- Home Care (*Adults, Health and Wellbeing*)
- Governance of collaborations with the third sector (*Adults, Health and Wellbeing*)
- Plas y Don, Pwllheli (*Adults, Health and Wellbeing*)
- Plas Hedd, Bangor (*Adults, Health and Wellbeing*)
- Hafod Mawddach, Abermaw (*Adults, Health and Wellbeing*)
- Cefn Rodyn, Dolgellau (*Adults, Health and Wellbeing*)
- Maintenance of buildings and sites (*Highways and Municipal*)
- Inspections (*Highways and Municipal*)
- Pont Briwet (*Regulatory*)
- Public Transport (*Regulatory*)
- Parking Income Transport (*Regulatory*)

4. RECOMMENDATION

4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1 July to 11 September 2015, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

COMMUNICATION WITH SCHOOLS

Education

Background

It is vital that robust and clear arrangements are in place for communication between the Council's Education Department and the schools, and at present, several arrangements are in place. One of the existing arrangements is a weekly newsletter, which is managed and distributed by an Officer from the Support Services - Corporate Support.

PSCASG (Primary and Special Schools Catchment Area Group) meetings are held every half term. There are 13 Primary and Special school catchment areas in the county, namely the catchment area of the Secondary schools (except Ysgol Friars and Ysgol Tryfan which are included in one catchment area). Ideally, a representative from the secondary schools should attend the PSCASG meetings. Following these meetings, the catchment area representative should hold meetings with the schools in the catchment area to distribute information that was shared at the PSCASG meeting. The Assistant Education Quality Improvement Officer takes the minutes of the PSCASG meetings.

A newsletter is distributed to primary/special schools following PSCASG meetings, detailing any important information that was discussed at the meetings, or any important information received from Estyn, the Welsh Government etc. during the period. The procedure of sending a newsletter to primary and special schools following PSCASG meetings is new, and has replaced the procedure of holding two conferences during the school year.

In the same manner, Secondary Strategic Group meetings are held every half term. A representative from every secondary school in the County should attend the meetings. The Assistant Education Quality Improvement Officer also takes the minutes at these meetings.

A new version of the Education Department's intranet has been published to schools in October 2014, and is another way the Education Department utilise to communicate with schools. The content of the intranet was discussed at PSCASG and at Secondary Strategic Group meetings.

Purpose of the Audit

Ensure that there is effective communication with schools, in order to ensure that the appropriate officers have access to guidelines, advice and leadership, especially important and vital information and that any key matter is highlighted.

Scope of the Audit

The way the Education Department communicates with schools was reviewed, a sample of correspondence and newsletters that had been distributed were checked, along with the design and distribution of an electronic questionnaire for all the headteachers of Gwynedd's schools in order to identify the real situation in terms of communicating with schools and to seek their opinion on areas such as the quality, frequency and content of the Education Department's newsletters and intranet.

Main Findings

An anonymous questionnaire was designed to correspond with this audit which included several questions to seek the opinion of Gwynedd's Headteachers on communication arrangements between the Education Department and the Schools. 39 completed questionnaires were received as part of the response to the questionnaire.

Some specific areas have been highlighted as being in need of further attention as a result of this audit. Several comments were received regarding the format and use of the weekly newsletter. Some expressed that it was not easy to use to find things of importance or priority. Also, enquiries were made regarding methods of distributing the newsletter to staff. The discovery that not every Headteacher distributed the newsletters to staff was disappointing. One observation was received that it was not convenient to transfer the information from the weekly newsletter to Governors, as the newsletter included information that was both relevant and irrelevant to Governors. The Headteacher noted that it would be necessary to weed out relevant information from the newsletter.

When analysing the information from questionnaires, it became clear that not all Headteachers were aware of the intranet and also that some Headteachers had not notified their staff of the intranet's existence. Members of staff need to be notified of the intranet's existence, so that they are aware of the policies and documents that are available should they require any information. Very useful information/observations were received regarding which documents/information could be added to the intranet, opinion regarding the newsletter and the way of improving communication between the Education Department and Schools. It is necessary to consider acting on the findings of this audit to improve the communication procedure between the Education Department and Gwynedd's Schools.

Audit Opinion

(B) The Audit opinion is that partial assurance can be given in the propriety of Communication with Schools as there are controls in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:

- **Changing the format of the weekly newsletter should be considered, bearing in mind the observations received from questionnaires.**
- **Other ways of seeking to circulate and distribute the weekly newsletter should be considered so that it reaches the attention of staff and the School's Governors.**
- **It should be ensured that each member of staff is aware of the existence of the Education Department's intranet, so that they can use it as a hub for documents and policies that they need.**
- **The schools' observations deriving from the questionnaire regarding ways to improve the intranet and which documents / information to incorporate should be considered.**
- **The schools' observations deriving from the questionnaire regarding ways to improve the communication between the Education Department and the Schools should be considered.**

CHAIRMAN'S FUND Corporate Support

Background

The Chairman's Fund is a historical fund that has been in place since the establishment of Gwynedd Council in 1996. It exists to enable the Chairman of the Council to welcome visitors to the Authority, to contribute funding towards Appeals; to buy corporate gifts etc. during his/her year in office. The Chair has full responsibility over what items of expenditure are paid for from the Fund.

Purpose of the Audit

The purpose of the audit was to ensure that robust arrangements and appropriate processes are in place to administrate the Chairman's Fund.

Scope of the Audit

Ensure that the fund's final accounts reconcile with bank statements and that appropriate arrangements are in place to deal with applications for sponsorship. Audit the fund's accounts for the financial years 2013/14 and 2014/15.

Main Findings

The Chair is entirely responsible for decisions on expenditure from the fund. The Civic Officer is responsible for the everyday administration of the fund, ensuring that invoices are paid, and recording all transactions that involve the fund. The fund is historical and there are not many formal arrangements in place for it. The only risk with this is that no formal information is available to provide guidance on how, and on what, money from the fund should be spent. Robust budgetary arrangements are in place for the Fund, with authorised responsibility for the fund. It was seen that there was no formal link with the Finance Department, however, authorised officers certified the fund's expenditure. There is consistency between the fund's bank statement and the spreadsheet kept by the Civic Officer regarding the fund's expenditure. Evidence regarding the fund's expenditure is retained, namely receipts and invoices. Checks were made to ensure that accurate and relevant information is kept with the applications received for funding from the fund, and it was seen that they were fully and fairly assessed. By now, it is a tradition that the Chair holds an event/concert to fundraise for charity/charities in the year of his/her chairmanship - it was seen that the cost of holding the concert in 2014 had outweighed the profit that was received, therefore care should be taken when arranging events in future.

Audit Opinion

- (B) The Audit opinion is that partial assurance can be given of propriety in the administration of the Chair's Fund as there are controls in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:**
- **Consideration should be given to having formal documents / awareness in place to provide guidance on the type of expenditure that can be made from the Chair's Fund.**
 - **The costs involved with hosting any event should be weighed up, e.g. for a concert, details of the expected proceeds before committing to any expenditure.**

MAIN ACCOUNTING SYSTEM - REVIEW OF KEY CONTROLS**Finance**Purpose of the Audit

The Auditor General for Wales' Code of Audit Practice, April 2010, states that the Authority's external auditors (Wales Audit Office), in conducting its audit of the Council's accounts, will rely wherever possible on the work of Internal Audit (and others). As a result, the Joint Protocol between the External Audit service and the Internal Audit service, approved by the Audit Committee on 17 November 2011, states:

“As part of its key role in reporting upon the adequacy of internal control, and providing a basis for the authority's Annual Governance Statement, which is required to be published with the Council's annual statement of accounts, it is expected that Internal Audit will test key controls of the Council's major financial systems on an annual basis.”

The main accounting system is considered a “major financial system” according to the Wales Audit Office's definition, and therefore a review of the key controls of this system was conducted.

Scope of the Audit

This review focused on the controls of maintaining the main accounts system and transactions for 2014/15.

Main Findings

It was seen that there was strong management in the processes involved with administering the Main Accounting System. However, a weakness was seen in terms of notifying the Financial System Technician of members of staff who no longer needed access to the Ledger. It was seen that the Financial System Technician sent a list of users for the Departmental Finance Managers' approval every year. It was seen that they did not always receive a response from the Departmental Finance Units. On a list of users which was sent in June 2014, a member of staff was included who had left his post with the Council on 30/06/2011, but it was seen that the relevant Finance Unit had responded to the email this time and that the users had been removed prior to the audit. As this officer had left the Council's employment, it is unlikely that he or she would have access to the Council's network, and as a result would be unable to gain access to the financial ledger. Therefore, the risk of the former employee obtaining unauthorised access to the ledger is low.

Audit Opinion

- (A) **The Audit Opinion is that assurance of propriety can be expressed in the administration of the Main Accounting System - Review of the Key Controls as it is possible to rely on the internal controls in place, and that they have been followed.**
- **The Departmental Finance Managers should ensure that they notify the Financial System Technician of changes to access rights requirements to the accounts system following the receipt of an annual list of users.**

REVENUE SYSTEMS - CLOSURE 2014-15**Finance**Purpose of the Audit

The Auditor General for Wales' Code of Practice, April 2010, states that the Authority's external auditors (Wales Audit Office), in conducting its audit of the Council's accounts, will rely wherever possible on the work of Internal Audit (and others). As a result of this, the Joint Protocol between the External Audit service and the Internal Audit service, approved by the Audit Committee on 17 November 2011, states:

“As part of their key role in reporting upon the adequacy of internal control, and providing a basis for the authority's Annual Governance Statement, which is required to be published with the Council's annual statement of accounts, it is expected that Internal Audit will test key controls of the Council's major financial systems on an annual basis.”

The Benefits, Council Tax and Business Rates systems are considered “major financial systems” according to the Wales Audit Office's definition, and therefore a review of the key controls of this system was conducted.

The purpose of the audit was to ensure that appropriate arrangements were in place to close down the financial year, by confirming that appropriate reconciliations are held.

Scope of the Audit

Ensure that the reconciliations which are part of the practice of closing the previous year are held in a timely manner, and that they are full and accurate.

Main Findings

Good practice exists in the process of reconciling and closing down at the end of a financial year, as all expected reconciliation processes are achieved in accordance with expectation. Monies remained in the Council Tax and Business Rates temporary account at the end of the financial year, as there was no way to identify to which account the monies belonged. In terms of the benefits system, a SERR (System Error) code has been established but it appears that this has not been incorporated in an 'SQL' enquiry - therefore the items remain on the reconciliation as 'variation' items that need solving. If SERR was a part of the enquiry, the items would not appear.

Audit Opinion

(B) The Audit opinion is that partial assurance of financial propriety in the Revenue Systems - Closure 2014-15 can be expressed, as there are controls in place, but there are aspects where some arrangements could be tightened. The main recommendation of the report is as follows:

- **A SERR code should be incorporated in SQL enquiries.**

SIEBEL AND EFINANCIALS INTERFACE

Finance

Background

As part of the internal audit report 'Debtors System - Review of the Key Controls' (February 2015), it became clear that invoices prepared by Galw Gwynedd officers (through the Siebel system) created a new debtor number on the eFinancials system in every case, even if the debtor already exists on the system and that he or she already has a debtor number. The audit report recommended that:

Discussions should be held with the Customer Care Service and the Information Technology Service to establish a purposeful script to correctly export the details to the debtors module, to avoid the number of duplicate accounts.

Purpose of the Audit

The purpose of the audit was to ensure that steps had been taken to strengthen the interface between two of the Council's main systems, namely Siebel and eFinancials so that details could be exported accurately from Siebel to the debtors module in eFinancials and to avoid creating duplicate accounts.

Scope of the Audit

The audit included holding discussions with relevant officers from Galw Gwynedd, the IT Service and the Income Service to discuss what steps have been taken to strengthen the interface between the Siebel and eFinancials systems. Also, the audit followed up a sample of applications for specific work that were processed through the Siebel system, whereby it was necessary to create an invoice for the work through the eFinancials system, in order to ensure that duplicate accounts are not created for customers who already have a debtor number.

Main Findings

Following enquiries with officers from Galw Gwynedd and the IT Service, it was expressed that work had been undertaken to improve the interface between both systems, and the first batch of invoices were issued in line with the new procedure at the end of June 2015.

As part of the audit, details were extracted from the eFinancials system in order to identify whether duplicate debtor accounts had been created from July 2015 onwards. Only one case was identified. In this case, it became apparent that an invoice had been created by Galw Gwynedd for an individual in May 2015, generating the debtor number 751601, and then another invoice was charged to the same individual by Galw Gwynedd in July, which generated the debtor number 751715.

When this was investigated, it was found that a list of customer numbers had been copied over to Siebel prior to presenting the new procedure, but that customer number 751601 was not included. When another invoice was charged to the customer after introducing the new system, Siebel could not identify that the customer already existed and therefore a new customer number was created, namely 751715. If invoices are raised to the customer in future, the interface will use this number from now on.

However, it became clear that another debtor number had been generated for the same individual, namely the 751760 debtor number but no transactions are linked to this account. The IT Service expressed that there was a problem with one batch of invoices early on after introducing the new system, and that scripts had to be changed on 20 July 2015 in order to process them. No invoices were created due to the problem, but new debtor numbers had been established and it appears that this customer was one of these numbers that was generated without the production of an invoice.

The IT Service states that the process seemed to have improved after the change on 20 July 2015 and that no other problems have been reported. Following checks of the eFinancials reports, nothing was found to suggest otherwise.

Audit Opinion

(A) The Audit Opinion is that assurance of financial propriety can be expressed in the Siebel and eFinancials Interface arrangements as it is possible to depend on the internal controls in place and they have been followed. However, the situation should be monitored in a timely manner to ensure the interface's effectiveness.

REMOVING LEAVERS FROM IT SYSTEMS

Finance

Background

It is essential that arrangements are in place to remove workers' privileges from the Council's IT systems should they leave their posts within the Council. If an employee changes posts within the Council, it is essential to ensure that the rights to IT systems that he or she has are relevant to the new post. The technical needs of Council employees vary, but in order to mitigate the security threat to sensitive information it is inevitable that the arrangements need to be controlled.

Purpose of the Audit

The aim of the audit was to ensure that controls are in place to remove officers' access to the Council's information technology systems should any changes to their posts occur or if they leave the Council.

Scope of the Audit

The audit focussed on reviewing the processes that are in place to remove officers from IT systems. The auditor checked whether there was a way to identify a user who should be terminated from IT systems i.e. if they had left the Council or had changed posts. In the same manner, a sample of IT systems was selected and it was ensured that users' rights were appropriate and that any terminations were implemented in a timely fashion.

Main Findings

There is no official document for the arrangements of removing officers' rights from IT systems/the Council's network. However, the document 'Human Resources Information Security Standards', formed in 2009, is available on the Council's intranet. The document notes the importance of the need to revoke workers' access if there is any change in their employment i.e. *"Termination of employment may be due to resignation, change of role, suspension or the end of a contract or project."* as the Council holds much personal data and restricted information. The policy also refers to external employees. In line with the policy, it is the responsibility of Line Managers to notify the Helpdesk of new users, changes in roles, and any terminations relating to access to IT systems. Also, the Helpdesk will inform the administrator of relevant systems that users' rights needed to be terminated. This is not an official document.

A report identifying officers who had left the Council's employment during the last year was checked against reports noting a sample of users of the Council's Information Technology systems. It was seen that several officers continue to have access rights to the systems although they have left the Council's employment.

Some administrators have their own arrangements to check users who have access to the systems. They do not receive a request to terminate rights in every case. If they find that an officer has changed posts or no longer works for the Council, they will revoke the rights. Also, it is possible for some administrators to check the user's 'last login', with their own arrangements of revoking the rights if they have not logged in to the system within the past six months / a year.

The IT Service has arrangements to identify accounts that are not used i.e. accounts that do not log in to the network. This usually occurs as the officer has left the Council's employment but the IT Unit has not received notification of this. This is also undertaken in cases of long-term absences e.g. illness, maternity period, unpaid leave. A report of disabled accounts was received, and it was seen that some of the accounts had been disabled since 2005 - these accounts should have been deleted in line with the process. It was explained that the process of creating such reports is arduous and takes officers' time away from other work.

In addition, a report noting external employees who still held accounts on the Council's network was received. These employees have access to the Council's Information Technology systems. At present, there are 353 active accounts for external employees. These employees do not have payroll numbers as they are not employed by the Council, and therefore there is no way of knowing whether they have left the Council in the same manner as usual employees. It is dependent on the line managers/relevant officers to notify the Council that these employees no longer require access. This does not happen in all cases.

Although arrangements are in place, it emerged that many managers were not aware that they had to notify the relevant officers of the need to amend employees' rights where necessary. The procedure was unclear, and they had not been notified of the procedure. Also, it is believed that there is an element of duplication in the 'New User' forms when using these to notify about a 'change of post', as the form needs to be completed with all details e.g. payroll number, national insurance number for officers already in Council employment, although the Council has this information as they are internal employees. Another issue that was highlighted was that former officers from one department who remained in the Council's employment continued to have access to confidential files.

Audit Opinion

(C) The Audit Opinion is that the propriety of Removing Leavers from IT Systems arrangements cannot be stated with assurance as the controls in place cannot be depended upon, but no losses / fraud were found as a result of these managerial weaknesses. The main recommendations of the report are as follows:

- **Consideration should be given to re-visiting the Information Technology policy 'Human Resources Information Security Standards' or rather producing a new official document with the necessary arrangements.**
- **Consideration should be given to a procedure of notifying system owners/administrators of the need to terminate officers' rights from systems on receipt of an application to delete an officer's account from the Council's network - consideration should be given to using the 'Business Software Register 2015'.**
- **It should be ensured that there are arrangements for dealing with accounts that are now inactive i.e. accounts that have been disabled, as well as ensuring consistent activity.**
- **The message that line managers/authorised officers need to notify the IT Unit or the Internal Directory Team if external employees do not need access to the Council's network should be reiterated, as these officers have made the initial application to establish the rights.**

VALIDITY OF INVOICES FROM PRIVATE PROVIDERS
Adults, Health and Well-being

Background

In light of the fact that there has been significant expenditure on third party care providers, it is thought that an audit to review the internal controls would be timely. For the sample of this audit, the service bought encompassed personal home care for people who cannot provide the care for themselves without assistance due to illness, frailty or disability as well as day care.

Purpose of the Audit

The purpose of the audit was to ensure that appropriate controls are in place when checking the accuracy of invoices for private home and day care before approving them for payment.

Scope of the Audit

The audit included tracking a sample of invoices for private care back to the order and client's care plan, as well as the contract between the Authority and the care providers, in order to ensure that the costs that are claimed are appropriate and in line with what has already been agreed. The audit also included checking 'Extra Care Housing' payment arrangements.

Main Findings

The Adults, Health and Well-being Department's Contracts Unit is responsible for contracts between the Council and the care providers. So that providers are included on the Council's list of approved home care providers, they are required to agree to the terms and conditions included in the North Wales Home Care official contract; the pre-placement contract. In addition, the providers must agree to maintain the service for a price that is in accordance with the maximum unit cost set by the Council.

According to a Cabinet Member's Decision Notice (18/03/15) which discusses non-residential fees of 'Social Services' for 2015/16, *"at present (referring to 2014/15), the cost of the Home Care service varies between £14.35 and £18.05 per hour."* When auditing a sample of home care invoices, it became clear that every price was within this range, apart from one company that charged a higher fee. It was found that this derived from the fact that a lack of providers in the area in question at times forced the service to agree to commission care from the company. However, it was seen that the company has not agreed to sign the official 'North Wales Home Care' contract, and to this end the Contracts Unit expressed that the company has not received a new care package from the Council since then.

When auditing a sample of invoices, the information was compared with the care plan and explanations were received for any inconsistencies. In order to ensure that every additional visit is agreed upon, the relevant Area Administrator was asked for information to support them. It was seen that there are case notes to support these, however in one case out of 9 in the sample, it was seen that extras had not been noted as 'additional' on the Service Placement.

Audit Opinion

(B) The Audit opinion is that partial assurance can be expressed on the propriety of the 'Validity of Invoices from Private Providers' as there are controls in place, but there are aspects where some arrangements can be tightened. The main recommendation of the report is as follows:

- It should be ensured that any additional service is noted on service placements, before approving a payment for it.

CHARGES ON PROPERTIES OF HOME RESIDENTS

Adults, Health and Well-being

Background

A request was made by the Cabinet Member for Resources to investigate the period of time it takes to place a legal charge on the property of individuals who receive care in residential homes. This derives from the total amount of debts associated with residents that are cleared. Under the National Assistance Act 1948, local authorities are expected to arrange provision for residential care to the individuals who, after being assessed, need care such as this and who meets the local authority's criteria for this.

Purpose of the Audit

The purpose of the audit was to investigate the possibility of reducing the amount of debts that are written off, which are associated with residents of homes, leading to reducing the loss of income that the Council is facing.

Scope of the Audit

The audit included looking at the Council's debts which are over £5,000 and have been written off, and which are linked to home residents. It was investigated why legal charges have not been placed on the properties in question, and what steps should be taken to reduce write-offs like this in future.

Main Findings

Ideally, the Council will make every effort to propose a deferred payment contract to residents as a first point of call, so that the Council has permission to place legal charges on the property. If the individual or representative does not agree, or ignores the proposal and refuses to make payments for the care they receive, then the Council can place a charge on the property without permission to do so by using the HASSASSA Act (Health and Social Services and Social Security Adjudications Act 1983).

The Council has a duty to secure a placement for the individual in either a residential or nursing home, therefore the Council will start paying for the care without confirmation that the resident is eligible for financial support. Delays in conducting financial assessments and checking the information can lead to further delay before a contract can be established, and in the meantime a substantial debt can accrue. Therefore, the Council does not offer the contract to residents, but rather it was seen (as part of the 'Assets of Residents of Homes' audit, March 2015) that HASSASSA is used as soon as possible as there is no other way of safeguarding the debt during the time it takes to undertake assessments.

It is clear that the root of the debts is the residents' or their next of kin's inability or unwillingness to pay the contributions. It was felt that a basic problem in most cases was the difficulties that the Business Service experienced in trying to receive responses for information from the residents' next of kin. It is clear that the Service has attempted to recover the debts, either through phone conversations or by sending letters to the relevant individuals, but that contacting a client's representative - whether or not they have Power of Attorney - proved difficult.

As well as the Business Service, the Income and Legal Services are part of the process of recovering the debts. It was seen that there is no established collaboration strategy, and as a result it is unclear who has ownership for the various debts at any given time or who is accountable for them. Given the evidence, it is felt that the debt accrues to a significant sum before specific steps are taken to recover it, as the time taken to respond to enquiries between officers or a third party is quite long in some cases.

In general, it is clear that the complexity and sensitivity of the field in question places considerable pressure on the Business Service as it seeks to manage and recover the numerous debts at hand, which are all different in nature. Without a specific strategy in terms of collaboration between the services (Business, Income and Legal), there is no clear ownership or accountability. It is considered that the possibility that the benefits gained from succeeding to recover the debts would outweigh the costs of establishing the strategies. Also, it was found that there were minor errors in documents, including some letters that were sent externally, that could have contributed to increasing the time taken to recover the debts.

Audit Opinion

(C) The Audit Opinion is that assurance cannot be given of propriety in the arrangements of managing the debts of residential/nursing home residents as the controls in place cannot be relied upon. The main recommendations of the report are as follows:

- **A procedure for identifying debts sooner should be established, as well as taking appropriate steps to prevent the debt from significantly accruing.**
- **The payments should be monitored more regularly and late payments should be pursued immediately.**
- **Roles need to be clear regarding who has responsibility/ownership for payments and any accruing debts, by establishing a working group that includes members from the Business, Income and Legal Services, to meet regularly to address the matter.**

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Agenda Item 9

| | |
|-------------------|--|
| COMMITTEE | AUDIT COMMITTEE |
| DATE | 24 SEPTEMBER 2015 |
| TITLE | INTERNAL AUDIT PLAN 2015/16 |
| PURPOSE OF REPORT | TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2015/16 AUDIT PLAN |
| AUTHOR | LUNED FÔN JONES – AUDIT MANAGER |
| ACTION | FOR INFORMATION |

1. INTRODUCTION

1.1 This report is a progress report on completion of the 2015/16 internal audit plan.

2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2015/16 internal audit plan is included in Appendix 1 with the status of the work as at 11 September 2015 noted, together with the time spent on each project. The status of the work in the operational plan at that date was as follows:

| Audit Status | Number |
|------------------------|-----------|
| Planned | 16 |
| Working Papers Created | 4 |
| Field Work Started | 22 |
| Field Work Ended | 4 |
| Manger Review | 2 |
| Final Report Issued | 15 |
| Total | 63 |

2.2 The performance target for 2015/16 is to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2016. The quarterly profile of this indicator is as follows:

| | |
|------------------|-----|
| End of quarter 1 | 8% |
| End of quarter 2 | 20% |
| End of quarter 3 | 50% |
| End of quarter 4 | 95% |

2.3 As seen from the table above, Internal Audit's actual achievement up to 11 September 2015 was **23.81%** - out of **63** individual audits contained in the 2015/16 plan, **15** had been released in a finalised version.

3. RECOMMENDATION

3.1 The Committee is asked to note the contents of this report as an update on progress against the 2015/16 audit plan and offer comments thereon and accept the report.



| Audit Code | Audit Name | Original Plan | Adjustment | Revised Plan | Actual Days | Audit Status |
|------------------------------|---|---------------|------------|--------------|-------------|---------------------|
| CORPORATE | | | | | | |
| 1-CORFF-02/2016 | Use of Consultants | 20.00 | 0.00 | 20.00 | 15.78 | Field Work Complete |
| 1-CORFF-09/2016 | Supporting Ffordd Gwynedd Reviews | 20.00 | 0.00 | 20.00 | 1.09 | Planned |
| 1-CORFF-12/2016 | Awareness of Whistleblowing Policy - Manual Workers | 25.00 | 0.00 | 25.00 | 1.45 | Field Work Started |
| 1-CORFF-14/2016ccy | First Aid Payments | 7.00 | 0.00 | 7.00 | 7.72 | Final Report Issued |
| 1-CPGV-01/2016cor | Corporate Assessment | 25.00 | 0.00 | 25.00 | 5.91 | Field Work Started |
| 1-CPGV-01/2016lle | Officers Gifts and Hospitality - High-Risk Services | 15.00 | 0.00 | 15.00 | 4.77 | Field Work Started |
| 1-CPGV-02/2016 | Proactive Prevention of Fraud and Corruption | 20.00 | 0.00 | 20.00 | 4.45 | Field Work Started |
| 2-ADN-CGC-DPA/2016 | Information Governance - Data Protection Act | 15.00 | 0.00 | 15.00 | 4.41 | WP Created |
| 2-ADN-X-GRANT/2016 | Various Grants | 20.00 | 0.00 | 20.00 | 1.05 | Planned |
| AO-ANL-05/2016 | National Fraud Initiative | 50.00 | 0.00 | 50.00 | 23.45 | Field Work Started |
| AW-TG-12/2016def | Removing Leavers from IT systems | 15.00 | 0.00 | 15.00 | 16.82 | Final Report Issued |
| AW-TG-12/2016tg | IT System Security | 30.00 | 0.00 | 30.00 | 0.38 | Planned |
| EDUCATION | | | | | | |
| Resources | | | | | | |
| 4-DAT-X-ADD/2016eig | Education Improvement Grant for Schools | 20.00 | 0.00 | 20.00 | 0.47 | Planned |
| 4-DAT-X-ADD/2016par | Gwynedd and Anglesey Learning Partnership Grant | 10.00 | 0.00 | 10.00 | | Planned |
| EADDA03/2016 | Communication with Schools | 10.00 | 0.00 | 10.00 | 13.53 | Final Report Issued |
| Across the department | | | | | | |
| EADDA06/2016hlon | New Hafod Lon School | 15.00 | 0.00 | 15.00 | 0.47 | Planned |
| Catering | | | | | | |
| M-GMG-A04/2016 | School Catering | 20.00 | 0.00 | 20.00 | 4.33 | Field Work Started |
| GwE | | | | | | |
| 4-GWE/2016 | GwE | 20.00 | 0.00 | 20.00 | | Planned |
| Schools | | | | | | |
| EADDA18/2016dol | Ysgol Gynradd Dolgellau | 5.00 | 0.00 | 5.00 | 9.43 | Final Report Issued |
| EADDA35/2016 | Schools General | 10.00 | 0.00 | 10.00 | 1.87 | Planned |

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| Audit Code | Audit Name | Original Plan | Adjustment | Revised Plan | Actual Days | Audit Status |
|--|--|---------------|------------|--------------|-------------|---------------------|
| EADDAY4007/2016 | Ysgol Dyffryn Nantlle | 8.00 | 0.00 | 8.00 | 12.22 | Final Report Issued |
| EADDAYC/2016a | Schools - Governance | 20.00 | 0.00 | 20.00 | 11.49 | Manager Review |
| EADDAYC/2016b | Workforce Modelling | 17.00 | 0.00 | 17.00 | 6.11 | Field Work Started |
| NORTH AND MID WALES TRUNK ROAD AGENCY | | | | | | |
| 3-AMG-ACGC/2016 | North and Mid Wales Trunk Road Agency | 50.00 | 0.00 | 50.00 | 62.77 | Field Work Started |
| CORPORATE SUPPORT | | | | | | |
| Democracy | | | | | | |
| BB-YSG-18/2016 | Member Training and Development | 10.00 | 0.00 | 10.00 | 0.31 | Planned |
| BE-POL-14/2016 | Chairman's Fund | 5.00 | 0.00 | 5.00 | 7.58 | Final Report Issued |
| Health and Safety | | | | | | |
| BC-PER-02/2016 | Schools - Health and Safety of school trips | 20.00 | 0.00 | 20.00 | 0.34 | Planned |
| FINANCE | | | | | | |
| Financial | | | | | | |
| AD-DY-01/2016 | Debtors System - Review of Key Controls | 12.00 | 0.00 | 12.00 | 0.45 | WP Created |
| AE-TOL-01/2016kc | Payments System - Review of Key Controls | 12.00 | 0.00 | 12.00 | 3.41 | WP Created |
| Accountancy | | | | | | |
| AN-ACY-02/2016kc | MAS - Review of Key Controls | 10.00 | 0.00 | 10.00 | 10.38 | Final Report Issued |
| AN-ACY-02/2016kcx | MAS including Debtors amd Payments - Closure 2014-15 | 8.00 | 0.00 | 8.00 | 10.62 | Final Report Issued |
| AN-ACY-13/2016kc | Bank Reconciliation - Review of Key Controls | 10.00 | 0.00 | 10.00 | 0.73 | WP Created |
| AN-ACY-13/2016kcx | Bank Reconciliation - Closure 2014-15 | 5.00 | 0.00 | 5.00 | 6.34 | Final Report Issued |
| Pensions and Payroll | | | | | | |
| AL-CYF-01/2016kc | Payroll System - Review of Key Controls | 12.00 | 0.00 | 12.00 | 3.16 | Field Work Started |
| AL-CYF-01/2016kcx | Payroll System - Closure 2014-15 | 5.00 | 0.00 | 5.00 | 5.05 | Final Report Issued |
| AP-PEN-01/2016 | Pension Fund - Review of Key Controls | 10.00 | 0.00 | 10.00 | 2.77 | Field Work Started |
| Revenue | | | | | | |
| AB-BD-01/2016dhp | Discretionary Housing Payments | 10.00 | 0.00 | 10.00 | | Planned |
| AB-BD-01/2016kc | Benefits - Review of Key Controls | 10.00 | 0.00 | 10.00 | 1.70 | Field Work Started |
| AB-BD-01/2016kcx | Revenues System - Closure 2014-15 | 10.00 | 0.00 | 10.00 | 10.76 | Final Report Issued |
| AC-TR-01/2016ipo | Council Tax System - iConnect | 10.00 | 0.00 | 10.00 | | Planned |

| Audit Code | Audit Name | Original Plan | Adjustment | Revised Plan | Actual Days | Audit Status |
|-------------------------------------|--|---------------|------------|--------------|--------------|---------------------|
| AC-TR-01/2016kc | Council Tax - Review of Key Controls | 8.00 | 0.00 | 8.00 | 2.09 | Field Work Started |
| AC-TR-11/2016 | NNDR - Review of Key Controls | 8.00 | 0.00 | 8.00 | 6.70 | Field Work Started |
| Information Technology | | | | | | |
| AW-TG-06/2016 | Siebel - eFinancials Interface | 10.00 | 0.00 | 10.00 | 5.55 | Final Report Issued |
| ECONOMY AND COMMUNITY | | | | | | |
| Community Regeneration | | | | | | |
| EADDZ-01/2016 | Welsh Church Fund | 5.00 | 0.00 | 5.00 | | Planned |
| Leisure | | | | | | |
| E-DGO-01/2016 | Leisure Centres - Income Collection | 20.00 | 0.00 | 20.00 | 30.27 | Field Work Complete |
| Major Projects | | | | | | |
| DDAT-AH-01/2016 | Sailing Academy | 15.00 | 0.00 | 15.00 | 15.49 | Field Work Started |
| ADULTS, HEALTH AND WELLBEING | | | | | | |
| Across the department | | | | | | |
| 5-GOFGCY-GC/2016 | Home Care | 25.00 | 0.00 | 25.00 | 2.64 | Field Work Started |
| GCC-03/2016 | Governance of collaborations with 3rd Sector | 20.00 | 0.00 | 20.00 | 15.45 | Field Work Started |
| GRH-04/2016 | Care Worker Training Programmes | 20.00 | 0.00 | 20.00 | 1.93 | Planned |
| Community Care | | | | | | |
| GDAPR-GC04/2016 | Travelling Costs of Community Care Workers | 15.00 | 0.00 | 15.00 | 12.93 | Final Report Issued |
| Adults | | | | | | |
| GDAPR-H03/2016 | Validity of Invoices from Private Providers | 20.00 | 0.00 | 20.00 | 15.33 | Final Report Issued |
| GGWAS-C01/2016 | Changes to ILF | 15.00 | 0.00 | 15.00 | 1.22 | Planned |
| Residential and Day | | | | | | |
| 5-GOF-CART1341/2016 | Plas y Don, Pwllheli | 12.00 | 0.00 | 12.00 | 10.98 | Field Work Complete |
| 5-GOF-CART1345/2016 | Plas Hedd, Bangor | 12.00 | 0.00 | 12.00 | 10.64 | Field Work Started |
| 5-GOF-CART1350/2016 | Hafod Mawddach, Barmouth | 12.00 | 0.00 | 12.00 | 7.43 | Field Work Started |
| 5-GOF-CART1356/2016 | Cefn Rodyn, Dolgellau | 12.00 | 0.00 | 12.00 | 17.96 | Manager Review |
| GDAPR-H01/2016 | Charges on Properties of Home Residents | 10.00 | 0.00 | 10.00 | 5.99 | Final Report Issued |

HIGHWAYS AND MUNICIPAL

Fleet

| Audit Code | Audit Name | Original Plan | Adjustment | Revised Plan | Actual Days | Audit Status |
|---------------------------------------|------------------------------------|---------------|------------|--------------|--------------|---------------------|
| PGW-TR-02/2016 | Maintenance of buildings and sites | 10.00 | 0.00 | 10.00 | 9.16 | Field Work Complete |
| Highways Works | | | | | | |
| PPR-CYN-03/2016 | Inspections | 20.00 | 0.00 | 20.00 | 5.42 | Field Work Started |
| REGULATORY | | | | | | |
| Transportation and Street Care | | | | | | |
| 3-PROJ-TRAF/2016briw | Pont Briwet | 15.00 | 0.00 | 15.00 | 1.57 | Field Work Started |
| DDAT-CC-01/2016 | Public Transport | 25.00 | 0.00 | 25.00 | 11.33 | Field Work Started |
| PPE-P-01/2016 | Parking Income | 20.00 | 0.00 | 20.00 | 5.72 | Field Work Started |
| GWYNEDD CONSULTANCY | | | | | | |
| Buildings and Environmental | | | | | | |
| PYM01/2016 | Recruitment and Selection | 15.00 | 0.00 | 15.00 | | Planned |

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