



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

AUDIT AND GOVERNANCE COMMITTEE

Date and Time

10.00 am, THURSDAY, 27TH SEPTEMBER, 2018

Location

Siambwr Hywel Dda, Council Offices, Caernarfon, Gwynedd, LL55 1SH

Contact Point

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(DISTRIBUTED 20/09/18)

AUDIT AND GOVERNANCE COMMITTEE

MEMBERSHIP (19)

Plaid Cymru (10)

Councillors

Aled Ll. Evans
Elin Walker Jones
Paul John Rowlinson
Vacant Seat

Aled Wyn Jones
Huw Gruffydd Wyn Jones
Cemlyn Rees Williams

Charles Wyn Jones
Berwyn Parry Jones
Gethin Glyn Williams

Independent (5)

Councillors

John Brynmor Hughes
Dewi Wyn Roberts
Angela Russell

Richard Medwyn Hughes
John Pughe Roberts

Llais Gwynedd (1)

Councillor
Alwyn Gruffydd

Gwynedd United Independents (1)

Vacant Seat

Individual Member (1)

Councillor
Sion W. Jones

Lay Member

Mrs Sharon Warnes

Ex-officio Members

Chair and Vice-Chair of the Council

A G E N D A

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

4 - 8

The Chairman shall propose that the minutes of the meeting of this committee, held on 19 July 2018, be signed as a true record.

5. GWYNEDD COUNCIL FINAL ACCOUNTS 2017/18 AND AUDIT REPORT

9 - 133

To submit the report of the Head of Finance.

6. GWYNEDD PENSION FUND FINAL ACCOUNTS 2017/18 AND AUDIT REPORT

134 - 167

To submit the report of the Head of Finance.

(‘ISA260 report by Deloitte in respect of Gwynedd Pension Fund’ to follow)

7. INTERNAL AUDIT OUTPUT 1/4/18 - 14/9/18

168 - 195

To submit the report of the Audit Manager.

8. INTERNAL AUDIT PLAN 2018/19

196 - 201

To submit the report of the Audit Manager on the progress made on the 2018/19 Internal Audit Plan.

AUDIT AND GOVERNANCE COMMITTEE 19/7/18

Present: Councillor R. Medwyn Hughes (Chairman)
Councillor John Brynmor Hughes (Vice-chair)

Councillors: Alwyn Gruffydd, Aled Wyn Jones, Dewi Wyn Roberts, Paul Rowlinson, Angela Russell and Cemlyn Williams.

Lay Member: Sharon Warnes

Others invited: Peredur Jenkins (Cabinet Member for Finance)

Also in Attendance: Dafydd Edwards (Head of Finance), Dewi Morgan (Senior Revenue and Risk Manager), Luned Fôn Jones (Audit Manager), Caroline Roberts (Investment Manager - for Items 5 and 6 on the agenda) and Bethan Adams (Member Support Officer).

Apologies: Councillors Aled Ll. Evans, Berwyn Parry Jones, Charles Wyn Jones, Huw G. Wyn Jones, John Pughe Roberts and Gethin Glyn Williams.

1. DECLARATION OF PERSONAL INTEREST

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

2. MINUTES

The Chair signed the minutes of the previous meeting of this Committee, held on 28 June 2018, as a true record.

3. GWYNEDD PENSION FUND STATEMENT OF ACCOUNTS 2017/18

The Head of Finance Department set out the background and context of the report. Attention was drawn to the fact that these were draft accounts, not yet audited, that were being submitted for information, and the final version would be submitted for the Committee's approval, in its 'governance' role, at its meeting on 27 September 2018. It was explained that the Pensions Committee had an executive role while the Pension Board scrutinised implementation in detail. It was reported that members of the Pensions Committee and the Pension Board had given detailed consideration to the statement at a joint meeting held on 16 July 2018.

The Investment Manager provided details of the Pension Fund's Statement of Accounts.

In response to an observation by a member that schools outside Gwynedd were active employers within the Pension Fund, the Head of Finance Department explained that administrative staff in specific schools contributed to the Fund, and the bodies that were part of the Fund followed the footprint of the former Gwynedd county which included Anglesey and Conwy. He elaborated that there were some employers from outside the boundary that were members of the Fund, and there were other bodies that had been approved to be part of the Fund with conditions.

A member noted that the situation in terms of the United Kingdom leaving the European Union was impossible to predict but that the Fund's position had improved. In response to the observation, the Head of Finance Department noted that the decision to leave the EU had affected the currency exchange rate. He explained that the Fund's assets in the United States of America had been valued in pound sterling, and with the value of the pound decreasing, the value of the Fund's assets were higher after converting from dollars to pounds. It was noted that uncertainty remained, but that the implementation and objectives of the Pension Fund were long-term issues, pension benefits were paid in the long-term after collecting contributions.

A member noted that not only was the Fund investing overseas, but most of the UK's major companies operated their business internationally and that business assets had increased, and contributed to the £300m increase, which was 20% of the Fund's value in 2017/18. He reiterated the observations of the Head of Finance Department, noting that the Fund made long-term investments with a three year valuation. In response to the above observations, the Head of Finance Department noted that 'Note 16b - Analysis of Investments' demonstrated a geographical breakdown of the Fund's overseas investments.

In response to a question by a member if there was a deficit in the Pension Fund as with other funds, the Head of Finance Department noted that the Fund's three year valuation had set out prudent assumptions, and the last valuation had noted that the Fund was meeting 92% of its future commitments, which was a much better situation than some funds that were funded around 60%. He explained that opinion can drive actuarial assumptions which identified whether there was a deficit, the Westminster Government's Actuary Department had completed a like for like comparison in 2017, and if the Government's Actuary's standard assumptions were used, the Fund would be funded 109%. He confirmed that the Fund, when comparing like for like in terms of actuarial assumptions, was within the top 10 of the 89 pension funds in England and Wales.

A member noted that this was her second opportunity to consider the Statement. She notified the Committee that the Pension Board had congratulated the Pension Fund for the work and that the Board had thoroughly scrutinised the Statement.

The Head of Finance Department noted his gratitude to the officers for succeeding to create the Statement in light of significant stress with staff absences. It was explained that changes were expected in light of an audit from Deloitte, but that the general picture in regards to the Fund's value at the end of 2017/18 would remain the same.

RESOLVED to accept and note the 2017/18 Pension Fund Statement of Accounts (subject to audit).

4. 2017/18 TREASURY MANAGEMENT

The Head of Finance Department set out the background and context of the report.

The Investment Manager submitted the report on the Council's actual Treasury Management results during 2017/18, compared with the strategy established for that financial year. She noted that the Council's borrowing activity was within the limits that had originally been set. She noted that no bank that the Council deposited money with had defaulted, and that £211,000 of interest had been received on investments, which was higher than the interest target of £172,750 within the 2017/18 budget. Details were provided on the borrowing activities, investment activities and compliance with prudential indicators.

RESOLVED to accept the report for information.

5. RISK MANAGEMENT ARRANGEMENTS

Submitted - the report of the Senior Revenue and Risk Manager who provided an update to the Committee on developments to the risk management arrangements after submitting a report to the Committee's meeting on 9 February 2017, which had included the Council's response to improvement proposals that had been noted in a letter from the Wales Audit Office to the Chief Executive.

It was explained that the Corporate Risk Register would be transferred to the Sharepoint lists facility within the Council's iGwynedd system. It was noted that it was aimed for the provision to go live to all Council officers by September 2018. It was emphasised that it was intended for the risk register to be used as a prioritisation tool.

During the ensuing discussion the Senior Revenue and Risk Manager responded to the members' observations as follows:

- There was not much variation in terms of scores systems within risk registers nationally but there were possibly differences in terms of their descriptions;
- Before starting on a project there was a need to establish what the project was trying to achieve – does it respond to a specific risk which has been identified through the project management procedure. He was willing to discuss with the Staff Development Module project team to see whether it would be possible to modify the descriptions in order to make them more suitable for project risks. The Corporate Risk Register was seen as a tool to prioritise and identify where a specific project was needed;
- There was a need for a change in culture in order for risk management arrangements to be successful, as part of the Ffordd Gwynedd culture, obstacles beyond the control of specific services would be identified on the risk register;
- Officers' access to the risk register could be managed per Department and officers such as the Internal Audit Service would have a higher level of access. There was an expectation on every post holder to manage risk to some degree;
- That it was a health and safety risk assessment matter to relocate the Children's Service's case conferences from Frondeg, Pwllheli to Ffordd y Cob, Pwllheli. An annual health and safety report was submitted to the Cabinet.
- The Corporate Risk Register included governance risks;
- That part of his duties and the Insurance and Risk Service was to coordinate and keep an eye on the impact services had on other services within the Council;
- That internal audit work would link in with risk management arrangements. Departments would carry out self-assessments with the Internal Audit Service looking at the scores and assessing them in order to establish if they are a reasonable reflection of the situation.

RESOLVED to accept the report as an update on the steps the Council is taking to benefit from the opportunities to improve as outlined in the Wales Audit Office's letter.

6. AUDIT ASSURANCE LEVELS AND RISK SCORING ARRANGEMENTS

Submitted - the Audit Manager's report detailing the proposed arrangements of providing audit assurance levels to reflect the Authority's method of assessing and measuring its risks. She explained that the risk score provided would be based on the Auditor's opinion in consultation with the relevant Audit Leader and the Audit Manager, and would fall into one of four categories/risk levels, namely - Very High (20-25), High (12-16), Medium (6-10) and Low (1-5).

She noted that historically audits had been given opinion categories ranging from 'A' to 'Ch'. She explained that under the proposed procedure each audit would be allocated an assurance level. She elaborated that the assurance level awarded would be based on an evaluation of the internal management environment and the number of risks identified along with their risk score. She noted that the general assurance levels of audits would fall into one of four categories:

HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
SATISFACTORY	Controls are in place to achieve their objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.
LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduces new controls to reduce the risks to which the service is exposed.
NO ASSURANCE	Controls in place are considered to be inadequate, with objectives failing to be achieved.

During the ensuing discussion, the following main observations were noted by members:

- The proposed arrangements would provide members with more information and it was a valuable step forward;
- Was there a figure attached to what was noted in the definition of impact as 'on many residents'?
- Of the opinion that it was a positive step forward. Would the Committee receive a summary in terms of what had been done?
- Would the audit risk scores be discussed with the relevant officers at the Departments before the report was submitted to Committee?
- Would the timeline in terms of historical information and milestones be noted in the reports?
- A culture was needed that meant that auditors did not have to defend the score given to an audit. It was hoped that officers could view an audit as something positive and not negative;
- How much notice did services receive in terms of conducting an audit?
- What was the situation regarding leisure centre audits in light of establishing the new leisure company?

In response to the observations, the officers noted:

- That it was approximately estimated that between thousands and tens of thousands of residents would be considered to be 'many residents'. Nevertheless, it was emphasised that a risk which was awarded a '5- Catastrophic' impact would be defined as having a catastrophic impact on any resident;
- The Committee would receive a summary of the audit reports and the audit's level of assurance would be noted. It was felt that the risk score, as opposed to an opinion category, would be more useful for officers;
- The relevant officers within the Departments were given an opportunity to respond to the draft audit report. Should the officers not agree with the internal audit officers, the auditor would have to be firm and defend the score awarded to the audit;
- That the Internal Audit Plan was different every year therefore it was not possible to make a year on year comparison. Follow up work was undertaken on every action rather than the historical procedure of only following up on 'C' opinion category reports;
- It was a matter for the Department to determine whether specific risk scores were acceptable to them or whether they needed to act to reduce the risk;
- Audits had been identified in the Internal Audit Plan for the year. In some cases a discussion was needed prior to the audit with relevant officers to receive information on the background to prepare a briefing note. The only exception in terms of unplanned audits was leisure centre audits, and that was at the request of the Economy and Community Department.
- It was noted in the contract for establishing the new leisure company 'Byw'n Iach Cyf' that it was expected for the company to award contracts for providing specific support to the Council but that the company also had the right to outsource contracts. There would be a Service Level Agreement between the Internal Audit Service and Byw'n Iach Cyf.

RESOLVED to accept the report.

7. SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE

Submitted - the report of the Senior Manager - Revenue and Risk in relation to carrying out a self-assessment of the effectiveness of the Audit Committee, using CIPFA assessment guidelines.

RESOLVED to hold a workshop during September or October 2018 in Penrhyndudraeth to conduct a self-assessment of the Committee's effectiveness.

8. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP

Submitted – the report of the Chair of the Committee on a meeting of the above-mentioned working group held on 19 June 2018 to consider the 'Frondeg' and 'Schools Schemes - Ysgol Glancegin' audits along with audits that had received a category C and CH rating, namely -

- a) Supported Housing
- b) Staff Development Module
- c) Obtaining References, Proof of Identity and Evidence of Qualifications
- ch) Safeguarding Arrangements for Children and Adults - Field Workers' Awareness of Policy
- d) Smallholdings

Officers had been invited to attend the meeting to discuss the matters that had arisen from the audits and the work undertaken since the audit reports had been published in order to reinforce the internal controls in question.

The Chairman noted his gratitude to the members who had been present at the Working Group meeting.

The Audit Manager submitted an update on developments following the meeting of the Working Group. She noted that usually, follow up audits would be held, but in the case of 'Y Frondeg', a full audit would be carried out at the request of the Head of Adults, Health and Well-being Department.

In response to a member's question about the Committee receiving an update on progress against the actions, the Audit Manager noted that numbers would be noted rather than individual details, due to the number of actions. She explained that unacceptable progress would in future be reported to the Committee.

A member noted that the Working Group's meetings were valuable with the members taking an objective approach to the audits.

In response to members' observations on the full audit held for 'Frondeg', the Audit Manager noted that the situation was unique and she was pleased that the Department had asked for a full audit as they needed guidance on some matters in order to put an action plan in place for the new manager.

A member noted there was a tendency for officers to be defensive at Working Group meetings, the members were adopting the role of a critical friend and tried to contribute towards improving services.

In response to observations from a member in relation to important themes in audits on Residential Homes, the Audit Manager reported that the Working Group, at its meeting on 23 October 2017, had discussed a summary of the themes highlighted in audits on Residential Homes with the Cabinet Member for Adults, Health and Well-being and the Head of the Adults, Health and Well-being Department. She added that it was worrying that lessons were not being learnt.

RESOLVED to accept the report.

The meeting commenced at 10.00am and concluded at 11.45am.

CHAIR

MEETING	Audit and Governance Committee
DATE	27 September 2018
TITLE	Final Accounts for the year ended 31 March 2018 and relevant Audit
PURPOSE	To submit – <ul style="list-style-type: none">• Statement of Accounts post-Audit;• Deloitte’s ‘ISA260’ report;• Letter of Representation (Appendix 1).
RECOMMENDATION	To consider and approve the information before authorising the Chairman to certify the letter
AUTHOR	Dafydd L Edwards, Head of Finance

1. ACCOUNTS FOR 2017/18

Members will recall that the Statement of Accounts for 2017/18 (pre-audit) was presented to the Audit and Governance Committee on 28 June 2018, when it was scrutinised accordingly.

2. AUDIT BY DELOITTE ON BEHALF OF THE AUDITOR GENERAL FOR WALES

It was noted in the June meeting that these accounts would be subject to audit by Deloitte, and the ‘ISA 260’ report is presented here by the Auditor General for Wales detailing Deloitte’s main findings.

3. POST-AUDIT FINANCIAL STATEMENTS FOR 2017/18

The final version (post-audit) of the Statement of Accounts for 2017/18 is also presented here. The main amendments since the pre-audit version have been outlined in Appendix 3 to Deloitte’s ‘ISA260’ report.

4. RECOMMENDATION

The Audit and Governance Committee is asked to consider and approve the –

- ‘ISA260’ report by Deloitte in respect of Gwynedd Council
- Statement of Accounts for 2017/18 (post-audit)

5. LETTER OF REPRESENTATION

The Chairman of the meeting, together with the Head of Finance, are asked to certify the Letter of Representation (Appendix 1 to Deloitte’s report) after the Audit and Governance Committee has approved the above.

6. CERTIFICATION BY THE APPOINTED AUDITOR

After receiving the Letter of Representation duly certified by the Chairman and the Head of Finance, the Auditor General for Wales (Adrian Crompton) will issue the certificate on the accounts.

Gwynedd Council

STATEMENT OF ACCOUNTS 2017/18

Finance Department
www.gwynedd.llyw.cymru



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NARRATIVE REPORT

Introduction

Gwynedd Council's accounts for the year 2017/18 are presented here on pages 8 to 78.

The Statement of Accounts consist of:-

- **Expenditure and Funding Analysis** – Whilst this is not a statutory statement, it shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.
- **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.
- **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.
- **The Balance Sheet** - Sets out the financial position of the Council on 31 March 2018.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2017/18 for revenue and capital purposes.
- **The Welsh Church Fund and FMG Morgan Trust Fund Accounts.**

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

Gwynedd Council's Vision and Priorities

Gwynedd Council's vision and priorities is included in the Gwynedd Council Plan, that is, 'Our vision as a Council is to support all the people of Gwynedd to thrive and live full lives in their community, in a county which is one of the best counties to live in.'

There are several elements to the Council Plan, including the Improvement Plan which outlines our improvement priorities, seven well-being aims, and departmental plans which describes all the Council's day-to-day work. The plan is available at: <https://www.gwynedd.llyw.cymru/en/Council/Strategies-and-policies/Corporate-plans-and-strategies/Gwynedd-Council-Plan-2018-23.aspx>

Financial Strategy

The Council's Financial Strategy and 2017/18 Budget adopted by the Council at its meeting on 2 March 2017 sets out the foundation for us to achieve the improvement priorities whilst also trying to meet continuous increase in demand for our services. The Financial Strategy is unavoidably dependent upon the prioritisation. The strategy is available at: <https://www.gwynedd.llyw.cymru/en/Council/Strategies-and-policies/Finance/Financial-strategy.aspx>.

The annual budget is established within the context of the medium-term financial strategy, in order to ensure that the budget is prepared for the future position, rather than addressing the requirements of one year only. This medium-term planning has proven to be very beneficial to the Council, enabling it to plan necessary savings rationally, without having to take rushed/inappropriate decisions in terms of the benefits to our citizens, and establishing a regime to identify budgetary savings and cuts.

The cuts in funding that the Council receives from the Government means that we must cope with receiving less money to maintain our services. Over the last eight years, we have had to cut £48m from the Council's budget.

Despite this, we have been fairly successful in keeping the effects on the residents of Gwynedd to a minimum, but the cuts have started to take effect by now. There are no signs that the continued cuts in funding from Welsh Government to pay for key services that we provide will come to an end in the near future; we will, therefore, continue with the work of ensuring that we realise those savings which have already been approved and ensuring that we plan to find savings in the future.

2017/18 Performance

The Council's Performance Management Framework is a cycle which supports the planning, management and reporting on the performance of our services to ensure the best for the people of Gwynedd today and tomorrow. The Gwynedd Performance Report 2017/18 provides information on our Council's services performance against our priorities while focusing on improving the outcomes in the lives of the people of Gwynedd. The report is available at: <https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Council-performance/Performance-Measuring.aspx>

Financial Performance 2017/18

- Despite the sustained need to achieve challenging savings, the final financial position of the Council's departments for 2017/18 confirms that there was effective financial management. The financial out-turn position for 2017/18 was reported to the Cabinet at its meeting on 22 May 2018. The members of the Cabinet approved the carry-forward of the net services underspend of £316k for the year.
- At 2017/18 year-end, most of the departments and several corporate headings reported an underspend financial position, with a significant improvement in the financial position of the Adults' Department during the last quarter of the year. There was an overspend on placements and operational services in the Children and Families Department, on transport by the Education Department and in the waste and engineering field by the Highways and Municipal Department.
- The Comprehensive Income and Expenditure Statement on page 9 shows that the Council's gross revenue expenditure on 'Cost of Services' level was £364m during 2017/18, with the net position as £238m.
- The 2017/18 financial position was taken into consideration in the process of establishing the 2018/19 budget.

TABLE I – Budget and Actual Comparison Summary (Net)

The Council's net budget is mainly financed through council tax, general government grants and national non-domestic rates and totals £246m for 2017/18.

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	246,014	246,271	257
Departmental Carry-forward at year-end	0	316	316
	<hr/>	<hr/>	<hr/>
	246,014	246,587	573
Financed by -			
Council Tax Income	(77,050)	(76,608)	442
Share of National Non-Domestic Rate	(40,451)	(40,451)	0
General Government Grants	(128,513)	(128,513)	0
Contribution to the General Fund Balance		(1,015)	(1,015)
	<hr/>	<hr/>	<hr/>
	0	0	0

- The Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement on pages 9 and 10 detail the 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 (Outturn)	Transposition Adjustment	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Income & Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Education	82,854	(761)	82,093	0	82,093
Corporate Support	7,843	0	7,843	0	7,843
Finance	5,766	89	5,855	0	5,855
Economy and Community	5,893	(70)	5,823	0	5,823
Adults, Health and Wellbeing	44,070	1,332	45,402	0	45,402
Children and Family Support	13,654	(34)	13,620	0	13,620
Highways and Municipal (including Trunk Roads)	21,044	21	21,065	0	21,065
Environment	4,204	38	4,242	0	4,242
Corporate Management Team and Legal	1,831	48	1,879	0	1,879
Gwynedd Consultancy	152	(320)	(168)	0	(168)
Corporate	50,606	(29,897)	20,709	29,529	50,238
Cost of Services	237,917	(29,554)	208,363	29,529	237,892
Other (Contains Centralised and Corporate Adjustment)	8,670	29,554	38,224	(29,529)	8,695
Total	246,587	0	246,587	0	246,587

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

- **Material Items of Income and Expenditure**

Related items include:-

- £22m on pensions, being the remeasurements of the net defined benefit assets relating to pensions, in line with Gwynedd Pension Fund’s Actuary’s assessment (Note 23).
- Following a revaluation of part of the Council’s land and buildings portfolio (which is now carried out on a rolling programme basis), a net surplus of £6m on the revaluation of property, plant and equipment assets (Note 15 & 23).

- **Other Issues**

- There have been unprecedented problems in the worldwide financial situation in recent years. Because of this general situation, it has been necessary for the Authority to take the circumstances into consideration in its financial plans, whilst maintaining a prudent level of reserves.
- Since the referendum on the UK’s membership of the European Union, there has been a degree of economic uncertainty. This is expected to last for some time and may affect some factors and financial decisions made by the Authority.

Capital Expenditure in 2017/18

Capital expenditure for 2017/18 amounted to £23.4m. The following table gives an analysis of this expenditure and the way it was financed.

SUMMARY OF CAPITAL EXPENDITURE AND FINANCING		
2016/17		2017/18
£'000		£'000
15,033	Education	10,575
5,053	Environment	4,888
70	Corporate Support	28
609	Finance	389
1,951	Economy and Community	1,249
2,802	Adults, Health and Wellbeing	2,781
58	Children and Family Support	214
2,558	Highways and Municipal	3,095
1,175	Gwynedd Consultancy	179
29,309		23,398
	FINANCED BY -	
11,106	Borrowing	7,785
11,460	Grants and Contributions	11,109
770	Capital Receipts	1,384
5,973	Revenue and Other Funds	3,120
29,309		23,398

- Revenue Expenditure Funded from Capital Under Statute of £3.9m is included in the above table. This has been charged to the Income and Expenditure Statement in the year. Total expenditure on Non-current Assets and Assets Held for Sale was £19.5m as shown in Note 15 and 20 on pages 38 to 40 and page 50.
- The Council's Loan Debt on 31 March 2018 was £118.7m – an increase of £7.2m (from £111.5m) during the year. Repayments of £2.7m were made in accordance with the terms of individual loans.

Provisions and Reserves

In addition to the unearmarked element of General Balances of £5.9m, the Council had other provisions of £7.8m, earmarked reserves of £42.5m and school balances of £4.0m. In total, these amounted to £60.2m. These are detailed in the Balance Sheet, Movement in Reserves Statement and in Note 10 and 22.

The adequacy of the Council's specific reserves was thoroughly reviewed by the Head of Finance on closure of this year's accounts, in accordance with the policy. This review succeeded in harvesting £2.9m of resources, of which £2.7m is to be earmarked for the priorities of the Council Plan.

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 reduced by £8m to £227m in 2017/18. Refer to Note 38 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.

Governance

Gwynedd Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Further information is included within the Annual Governance Statement in Appendix C.

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 I to the Accounts on page 13.

Changes in Accounting Policies and to the Accounts

There were no changes to accounting policies during the 2017/18 financial year.

Further Information

The Statement of Accounts is available on Gwynedd Council's website www.gwynedd.llyw.cymru.

Further information relating to the accounts is available from:

Ffion Madog Evans
Senior Finance Manager
01286 679133

or

Sian Pugh
Principal Accountant
01286 679134

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 on the Council's website 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 "Section 151 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.

27 September 2018

Chair Audit and Governance Committee

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts and of its Pension Fund 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.

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 at 31 March 2018 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

18 September 2018

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17				2017/18		
Net Expenditure Chargeable to the General Fund	Adjustments between the Accounting Basis and Funding Basis (see Note 9)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Accounting Basis and Funding Basis (see Note 9)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
82,153	0	82,153	Education	82,093	0	82,093
7,915	0	7,915	Corporate Support	7,843	0	7,843
5,745	0	5,745	Finance	5,855	0	5,855
6,554	0	6,554	Economy and Community	5,823	0	5,823
44,552	0	44,552	Adults, Health and Wellbeing	45,402	0	45,402
13,172	0	13,172	Children and Family Support	13,620	0	13,620
19,282	1,681	20,963	Highways and Municipal (including Trunk Roads*)	21,065	0	21,065
5,905	0	5,905	Environment	4,242	0	4,242
1,915	0	1,915	Corporate Management Team and Legal	1,879	0	1,879
224	0	224	Gwynedd Consultancy	(168)	0	(168)
15,706	21,865	37,571	Corporate	20,709	29,529	50,238
203,123	23,546	226,669	Cost of Services	208,363	29,529	237,892
20,466	694	21,160	Other Operating Expenditure	21,417	546	21,963
19,563	(7,253)	12,310	Financing and Investment Income and Expenditure	16,774	(4,625)	12,149
(241,598)	(9,288)	(250,886)	Taxation and non-specific grant income	(245,564)	(11,039)	(256,603)
1,554	7,699	9,253	(Surplus)/Deficit on Provision of Services	990	14,411	15,401
(54,933)			Opening General Fund Balance	(53,379)		
1,554			(Surplus)/Deficit on General Fund in year	990		
(53,379)			Closing General Fund Balance	(52,389)		

* Trunk Roads - Adjustments relating to the North and Mid Wales Trunk Road Agency

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount 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 both the Expenditure and Funding Analysis and in the Movement in Reserves Statement.

2016/17			2017/18			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	Note	£'000	£'000	£'000
100,797	(18,644)	82,153	Education	103,039	(20,946)	82,093
10,587	(2,672)	7,915	Corporate Support	9,381	(1,538)	7,843
8,026	(2,281)	5,745	Finance	8,172	(2,317)	5,855
15,158	(8,604)	6,554	Economy and Community	14,310	(8,487)	5,823
69,566	(25,014)	44,552	Adults, Health and Wellbeing	73,158	(27,756)	45,402
16,679	(3,507)	13,172	Children and Family Support	19,794	(6,174)	13,620
36,453	(15,490)	20,963	Highways and Municipal (including Trunk Roads*)	37,046	(15,981)	21,065
15,260	(9,355)	5,905	Environment	12,999	(8,757)	4,242
2,657	(742)	1,915	Corporate Management Team and Legal	2,643	(764)	1,879
2,520	(2,296)	224	Gwynedd Consultancy	2,155	(2,323)	(168)
70,482	(32,911)	37,571	Corporate	81,736	(31,498)	50,238
348,185	(121,516)	226,669	Cost of Services	364,433	(126,541)	237,892
21,200	(40)	21,160	Other Operating Expenditure	11 21,963	0	21,963
12,623	(313)	12,310	Financing and Investment Income and Expenditure	12 12,360	(211)	12,149
0	(250,886)	(250,886)	Taxation and Non-specific Grant Income	13 0	(256,603)	(256,603)
382,008	(372,755)	9,253	(Surplus) / Deficit on Provision of Services	398,756	383,355	15,401
		(7,282)	(Surplus) / Deficit on revaluation of Fixed Assets	23.1		(5,813)
		159	(Surplus) / Deficit on revaluation of available-for-sale financial assets	23.2		153
		51,322	Remeasurements of the net defined benefit liability/(asset)	23.5		(22,330)
		44,199	Other Comprehensive Income and Expenditure			(27,990)
		53,452	Total Comprehensive Income and Expenditure			(12,589)

* Trunk Roads - Adjustments relating to the North and Mid Wales Trunk Road Agency

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end 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 other 'unusable reserves'. The Statement shows how the movements in the year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	Additional Information			Statement of Movement in Reserves						
	Note	Unearmarked General Fund Balance	Earmarked General Fund Reserves	Total Reserves held by Schools	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance 31 March 2016 carried forward		(5,517)	(46,079)	(3,337)	(54,933)	(2,035)	(1,093)	(58,061)	(71,668)	(129,729)
Movement in reserves during 2016/17										
Total Comprehensive Income and Expenditure		9,253	0	0	9,253	0	0	9,253	44,199	53,452
Adjustments between accounting basis and funding basis under regulations	9	(7,699)	0	0	(7,699)	(862)	61	(8,500)	8,500	0
(Increase)/Decrease in 2016/17		1,554	0	0	1,554	(862)	61	753	52,699	53,452
Transfers to/from Earmarked Reserves		(2,947)	2,489	458	0	0	0	0	0	0
<i>(Increase)/Decrease in 2016/17 (showing transfers to Earmarked Reserves)</i>		(1,393)	2,489	458	1,554	(862)	61	753	52,699	53,452
Balance 31 March 2017 carried forward	10	(6,910)	(43,590)	(2,879)	(53,379)	(2,897)	(1,032)	(57,308)	(18,969)	(76,277)
Movement in reserves during 2017/18										
Total Comprehensive Income and Expenditure		15,401	0	0	15,401	0	0	15,401	(27,990)	(12,589)
Adjustments between accounting basis and funding basis under regulations	9	(14,411)	0	0	(14,411)	1,168	(1,070)	(14,313)	14,313	0
(Increase)/Decrease in 2017/18		990	0	0	990	1,168	(1,070)	1,088	(13,677)	(12,589)
Transfers to/from Earmarked Reserves	10	25	1,114	(1,139)	0	0	0	0	0	0
<i>(Increase)/Decrease in 2017/18 (showing transfers to Earmarked Reserves)</i>		1,015	1,114	(1,139)	990	1,168	(1,070)	1,088	(13,677)	(12,589)
Balance 31 March 2018 carried forward		(5,895)	(42,476)	(4,018)	(52,389)	(1,729)	(2,102)	(56,220)	(32,646)	(88,866)

BALANCE SHEET

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 is 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 2017		Note	31 March 2018
£'000			£'000
433,687	Property, Plant and Equipment	15	438,420
60	Heritage Assets		60
197	Investment Property	16	116
2,039	Surplus Assets	15	2,259
2,171	Long-Term Investments	17	17
4,094	Long-Term Debtors	17	4,101
442,248	Long-Term Assets		444,973
26,044	Short-Term Investments	17	35,028
148	Assets Held for Sale	20	73
1,286	Inventories		1,065
54,889	Short-Term Debtors	18	57,074
1,384	Cash and Cash Equivalents	19	12,403
83,751	Current Assets		105,643
(30,035)	Bank Overdraft	19	(45,538)
(3,335)	Short-Term Borrowing	17	(10,865)
(56,972)	Short-Term Creditors	21	(56,573)
(357)	Short-Term Provisions	22	(257)
(2,196)	Capital and Revenue Grants Receipts in Advance	32	(1,787)
(92,895)	Current Liabilities		(115,020)
(7,776)	Long-Term Provisions	22	(7,519)
(108,143)	Long-Term Borrowing	17	(107,810)
(235,413)	Net Pension Liability	38	(226,981)
(1,993)	Finance Leases Liability	35	(1,851)
(3,502)	Capital and Revenue Grants Receipts in Advance	32	(2,569)
(356,827)	Long-Term Liabilities		(346,730)
76,277	Net Assets		88,866
(57,308)	Usable Reserves		(56,220)
(18,969)	Unusable Reserves	23	(32,646)
(76,277)	Total Reserves		(88,866)

CASH FLOW STATEMENT

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.

2016/17		Note	2017/18
£'000			£'000
9,253	Net (Surplus)/Deficit on Provision of Services		15,401
(13,099)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24a	(35,198)
1,603	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24b	240
(2,243)	Net cash flows from Operating Activities		(19,557)
3,574	Investing Activities	25	31,104
2,081	Financing Activities	26	(7,063)
3,412	Net (increase)/decrease in cash and cash equivalents		4,484
25,239	Cash and cash equivalents at the beginning of the reporting period	19	28,651
28,651	Cash and cash equivalents at the end of the reporting period	19	33,135

NOTES TO THE ACCOUNTS

NOTE I – ACCOUNTING POLICIES

I.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) (Amendment) Regulations 2018, in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* supported by International Financial Reporting Standards (IFRS).

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.

I.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.

I.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.

I.4 Contingent Assets / Contingent Liabilities

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

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 assets and liabilities are not recognised in the Balance Sheet, but disclosed in the Contingent Liabilities and Contingent Assets notes in the accounts.

NOTE 1 – ACCOUNTING POLICIES (continued)

1.5 Corporate

The Corporate heading includes items relating to corporate policy-making and member activities, and 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 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 Corporate Services 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 Pension 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 Education and Economy and Community line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension 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 are determined by the fund administrators and represent 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 projected earnings for current employees.

NOTE 1 – ACCOUNTING POLICIES (continued)

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% 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 Corporate costs.
- Net interest on the net defined benefit liability/(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 England and Wales are required to produce their financial statements in accordance with IAS19.

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 1 – 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; and
- 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.

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.

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.

Financial assets

- cash
- bank accounts
- fixed term deposits with banks and building societies
- loans to other local authorities
- trade receivables for goods and services delivered

Financial assets are classified into two categories:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

NOTE I – ACCOUNTING POLICIES (continued)

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments including Covered Bonds

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.

The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council's investments in Covered Bonds are valued using the discounted cash flow analysis method to provide the fair value for the Balance Sheet.

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 2018 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 has 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

NOTE I – ACCOUNTING POLICIES (continued)

The Council used 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 – see policy 1.17.

1.12 Inventories and Long-Term Contracts

Stocks and work in progress should be shown in the Balance Sheet at the lower of cost and net realisable value, in accordance with the provisions of the Code of Practice. Due to the practicalities of the Council's main stock 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. These properties are valued on a fair value basis. Values are based on specific techniques, and the inputs to these measurement techniques are categorised in accordance with three levels. All the Authority's inputs are level 3 (unobservable inputs for the asset). This is due to the level of adjustment required to all evidence due to the uniqueness of the assets, and the dearth of relevant market transactions.

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:

Where the Authority grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal, to be included in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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 market value. Values are based on specific techniques, and the inputs to these measurement techniques are categorised in accordance with three levels. All the Authority's inputs are level 3 (unobservable inputs for the asset). This is due to the level of adjustment required to all evidence due to the uniqueness of the assets, and the dearth of relevant market transactions.

1.16 Overheads and Support Services

Some overheads and support services costs are apportioned to the appropriate services in accordance with the Council's arrangements for accountability and financial performance.

NOTE 1 – ACCOUNTING POLICIES (continued)

1.17 Long-Term Assets

The Council's assets as recorded on the Property Services database are revalued at least every five years. Since the 2015/16 financial year, the Authority has established a rolling programme for re-valuing different categories of these assets annually, with valuation usually effective on 31 March each year. 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.

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 depreciated 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.

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 Land and Buildings, and Community Assets where expenditure in year 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 2017/18 financial year this has been set at 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

NOTE I – ACCOUNTING POLICIES (continued)

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 is 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 centres. 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

Depreciation is not charged in the year of acquisition.

Minimum Revenue Provision

The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018 places 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 2017/18: 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 2017/18 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 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.

NOTE 1 – ACCOUNTING POLICIES (continued)

1.18 Council Tax and National Non-Domestic Rates

Council Tax and National Non-Domestic Rates income for the year is treated as accrued income, and is included within the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement.

Gwynedd Council is a Council Tax and Non-Domestic Rates billing authority. It collects Council Tax on behalf of itself and other authorities, and collects Non-Domestic Rates as an agent on behalf of the Welsh Government.

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.

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 its 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 13 months (with the exception of Covered Bonds) 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.

NOTE I – ACCOUNTING POLICIES (continued)

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 fair value (market value) less costs to sell on reclassification. Values are based on specific techniques, and the inputs to these measurement techniques are categorised in accordance with three levels. All the Authority's inputs are level 3 (unobservable inputs for the asset). This is due to the level of adjustment required to all evidence due to the uniqueness of the assets, and the dearth of relevant market transactions.

1.28 Disposal of Assets

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 Statement 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.

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 it is no longer necessary to set aside a percentage of the receipt. 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 Energy Efficiency 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 2017/18.

1.31 Landfill Allowances Scheme

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 2017/18.

1.32 Service Concession Arrangements

Service Concession Arrangements, otherwise known as Private Finance Initiative (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 is 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.

NOTE I – ACCOUNTING POLICIES (continued)

I.33 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangements. The activities undertaken by the Authority in conjunction with other joint operators involve the use of assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises its share of assets, liabilities, revenue and expenses.

I.34 Schools

The *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority accounts (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

I.35 Fair Value

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a. in the principal market for the asset or liability, or
- b. in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or
- Level 3 – unobservable inputs for the asset or liability.

I.36 Other Policies

Gwynedd Council has policies in respect of the following, but they are not considered material for the 2017/18 financial year:

- Intangible Assets
- Foreign Currency Conversion.

NOTE 2 – CHANGE IN ACCOUNTING POLICY

There were no changes to accounting policies during the 2017/18 financial year.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments during 2017/18.

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 requires the expected impact of any accounting standards that have been issued but not yet adopted to be disclosed. This applies to the following new or amended standards within the 2018/19 Code:-

IFRS 9 *Financial Instruments*.

IFRS 15 *Revenue from Contracts with Customers* including amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*.

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*.

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*.

The Code requires implementation from 1 April 2018 and there is therefore no impact on the 2017/18 Statement of Accounts, and none of the new or amended standards within the 2018/19 Code are expected to have a material impact on the information provided in the financial statements.

NOTE 5 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make judgements, 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 judgements, estimates and associated assumptions applied are based on current proper practices, historical experience, and other factors that include historical and current assumptions and projections, and actual future projections, professional assessments, current trends, and local factors 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.

The following items in the Authority's Balance Sheet at 31 March 2018 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 five years, and since 2015/16 a rolling programme of revaluation has been introduced. 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 Waste 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 judgements 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 Pension Fund. Further details are contained in Note 37 and 38.
- **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 and expense include the following:

- £22m on pensions, being the remeasurements of the net defined benefit assets relating to pensions, in line with Gwynedd Pension Fund's Actuary's assessment (Note 23.5).
- Following a revaluation of part of the Council's land and buildings portfolio (which is now carried out on a rolling programme basis), a net surplus of £6m on the revaluation of property, plant and equipment assets (Note 15 and 23.1).

NOTE 8 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2017/18	ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (i) £'000	Net change for the Pensions Adjustments (ii) £'000	Other Differences (iii) £'000	Total Adjustments £'000
Education	0	0	0	0
Corporate Support	0	0	0	0
Finance	0	0	0	0
Economy and Community	0	0	0	0
Adults, Health and Wellbeing	0	0	0	0
Children and Family Support	0	0	0	0
Highways and Municipal (including Trunk Roads*)	0	0	0	0
Environment	0	0	0	0
Corporate Management Team and Legal	0	0	0	0
Gwynedd Consultancy	0	0	0	0
Corporate	22,327	7,661	(459)	29,529
Cost of Services	22,327	7,661	(459)	29,529
Other Operating Expenditure	546	0	0	546
Financing and Investment Income and Expenditure	(10,780)	6,237	(82)	(4,625)
Taxation and non-specific grant income	(11,039)	0	0	(11,039)
(Surplus)/Deficit on Provision of Services	1,054	13,898	(541)	14,411

* Trunk Roads - Adjustments relating to the North and Mid Wales Trunk Road Agency

NOTE 8 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS (continued)

2016/17	ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS			
	Adjustments for Capital Purposes (i) £'000	Net change for the Pensions Adjustments (ii) £'000	Other Differences (iii) £'000	Total Adjustments £'000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts				
Education	0	0	0	0
Corporate Support	0	0	0	0
Finance	0	0	0	0
Economy and Community	0	0	0	0
Adults, Health and Wellbeing	0	0	0	0
Children and Family Support	0	0	0	0
Highways and Municipal (including Trunk Roads*)	1,681	0	0	1,681
Environment	0	0	0	0
Corporate Management Team and Legal	0	0	0	0
Gwynedd Consultancy	0	0	0	0
Corporate	21,842	(484)	507	21,865
Cost of Services	23,523	(484)	507	23,546
Other Operating Expenditure	694	0	0	694
Financing and Investment Income and Expenditure	(13,428)	6,243	(68)	(7,253)
Taxation and non-specific grant income	(9,288)	0	0	(9,288)
(Surplus)/Deficit on Provision of Services	1,501	5,759	439	7,699

* Trunk Roads - Adjustments relating to the North and Mid Wales Trunk Road Agency

(i) Adjustments for Capital Purposes

- For **services**, this column adds in depreciation, impairment and revaluation gains and losses.
- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing; i.e. revenue provision for the financing of capital investment and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

NOTE 8 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS (continued)

(ii) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* for pension-related expenditure and income:

- For **services**, this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

(iii) Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Services**, this represents an adjustment for accumulated absences earned but not taken during the year.
- For **Financing and investment income and expenditure**, the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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.

2017-18	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS				
Adjustments to the Revenue Resources				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</i>				
Pensions costs (transferred to (or from) the Pensions Reserve)	(13,898)	0	0	13,898
Financial instruments (transferred to the Financial Instruments Adjustments Account)	17	0	0	(17)
Holiday pay (transferred to (or from) the Accumulated Absences Reserve)	548	0	0	(548)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(11,834)	0	0	11,834
Total Adjustments to Revenue Resources	(25,167)	0	0	25,167
Adjustments between Revenue and Capital Resources				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(25)	(216)	0	241
Revenue provision for the financing of supported capital investment	5,547	0	0	(5,547)
Revenue provision for the financing of unsupported capital investment	2,114	0	0	(2,114)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,120	0	0	(3,120)
Total Adjustments between Revenue and Capital Resources	10,756	(216)	0	(10,540)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	1,384	0	(1,384)
Application of capital grants to finance capital expenditure	0	0	(1,070)	1,070
Cash payments in relation to deferred capital receipts	0	0	0	0
Total Adjustments to Capital Resources	0	1,384	(1,070)	(314)
TOTAL ADJUSTMENTS	(14,411)	1,168	(1,070)	14,313

2016-17

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</i>				
Pensions costs (transferred to (or from) the Pensions Reserve)	(5,759)	0	0	5,759
Financial instruments (transferred to the Financial Instruments Adjustments Account)	75	0	0	(75)
Holiday pay (transferred to (or from) the Accumulated Absences Reserve)	(543)	0	0	543
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(14,929)	0	0	14,929
Total Adjustments to Revenue Resources	(21,156)	0	0	21,156
Adjustments between Revenue and Capital Resources				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	29	(1,632)	0	1,603
Revenue provision for the financing of supported capital investment	5,593	0	0	(5,593)
Revenue provision for the financing of unsupported capital investment	1,863	0	0	(1,863)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,972	0	0	(5,972)
Total Adjustments between Revenue and Capital Resources	13,457	(1,632)	0	(11,825)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	770	0	(770)
Application of capital grants to finance capital expenditure	0	0	61	(61)
Cash payments in relation to deferred capital receipts	0	0	0	0
Total Adjustments to Capital Resources	0	770	61	(831)
TOTAL ADJUSTMENTS	(7,699)	(862)	61	8,500

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, and is a net increase of £1.1m as compared to the balance on 31 March 2017:

2017/18	Balance	Transfers		Balance	
	31 March 2017 £'000	between reserves £'000	in £'000	out £'000	31 March 2018 £'000
School Balances	2,879	0	1,595	(456)	4,018
Total	2,879	0	1,595	(456)	4,018

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

Earmarked Reserves

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 2017/18, with a net reduction of £1.1m since the 31 March 2017 position.

Note	2017-18	Balance		Transfers		Balance
		31 March 2017	between reserves	in	out	31 March 2018
		£'000	£'000	£'000	£'000	£'000
10.1	Renewals Reserves	2,793	597	2,293	(426)	5,257
10.2	Capital Reserves	9,821	(926)	1,879	(1,050)	9,724
10.3	Insurance Reserves	1,809	0	633	(610)	1,832
10.4	Services Fund	4,377	(383)	980	(825)	4,149
10.5	Convergence Programme Fund	133	0	13	(132)	14
10.6	Redundancy Costs to Realise Savings Reserve	3,801	0	0	(95)	3,706
10.7	Central Training	300	(134)	0	(72)	94
10.8	Education Services Reserves	925	0	484	(576)	833
10.9	Economy and Community Reserves	418	0	65	(46)	437
10.10	Highways and Municipal Reserves	1,002	166	25	(525)	668
10.11	Waste Developments Reserve	194	(166)	44	(34)	38
10.12	Gwynedd Consultancy Reserves	185	0	0	0	185
10.13	Environment Reserves	520	1,011	491	(1,153)	869
10.14	Care Reserves	1,461	0	809	(1,375)	895
10.15	Ffordd Gwynedd Fund	376	0	31	(20)	387
10.16	Invest to Save Fund - Carbon Reduction Plan	309	0	44	(41)	312
10.17	Transformation / Invest to Save Fund	8,543	2,202	107	(1,593)	9,259
10.18	Committed Revenue Grants Fund	486	0	363	(51)	798
10.19	Contracts Tendering Fund	217	(53)	0	0	164
10.20	Housing Water and Sewerage Services Fund	492	0	0	(40)	452
10.21	Housing Environmental Warranty	480	0	0	0	480
10.22	Information Technology Reserve	376	0	92	(16)	452
10.23	Preparatory Work for European Grant Funding Schemes	75	0	0	(37)	38
10.24	Supporting the Financial Strategy Reserve	1,760	(2,215)	3,968	(65)	3,448
10.25	Welfare Fund	222	0	0	0	222
10.26	Partnering Arrangements	522	(24)	15	(99)	414
10.27	North Wales Economic Ambition Board Fund	0	0	270	0	270
10.28	Liabilities Related to the Pension Fund	634	0	796	(5,686)	(4,256)
10.29	Council Tax Property Transfers Reserve	490	0	0	0	490
10.30	Various Other Reserves	869	(75)	332	(281)	845
	Total	43,590	0	13,734	(14,848)	42,476

Earmarked reserves closing balance as at 31 March 2018 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)

- 10.1 The Renewals Reserves is used by the various departments of the Council to replace vehicles and equipment.
- 10.2 The Capital Reserves represents resources already committed to finance part of the Council's Capital Programme.
- 10.3 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 Reserves 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.
- 10.4 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.
- 10.5 Convergence Programme Fund - fund was created for additional capital or revenue costs which arise from the requirements to develop plans under the convergence programme.
- 10.6 Redundancy Costs to Realise Savings Reserve – provision for financing redundancy costs to realise budgetary savings.
- 10.7 Central Training – relates to the Council's staff training programme.
- 10.8 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'.
- 10.9 The Economy and Community Reserves include a number of balances relating to schemes operating on a partnership basis mainly, where the scheme balances must be accounted for separately.
- 10.10 The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven income and expenditure (equalisation accounts) and likely requirements from contracts.
- 10.11 The Waste Developments Reserve – includes our commitment to the North Wales Residual Waste Partnership.
- 10.12 Gwynedd Consultancy Reserves – includes amounts set aside to protect against situations of uneven expenditure in some work fields and possible additional employment requirements resulting from changes in the Consultancy Service's work programme.
- 10.13 Environment Reserves – include a number of balances relating to Property, schemes operating mainly on a partnership basis, together with specific requirements relating to the Unitary Development Plan, and amounts for uneven expenditure situation.
- 10.14 Care Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- 10.15 Ffordd Gwynedd Fund – to aid the business transformation process, realise savings and assist the Council to achieve "Ffordd Gwynedd" aims and objectives.
- 10.16 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.
- 10.17 Transformation / Invest to Save Fund – for the Council's priorities and to transform internal procedures to be more effective and efficient, and to invest in various schemes to realise permanent financial savings.

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

- 10.18 Committed Revenue Grants Fund – includes revenue grants received and committed for future use.
- 10.19 Contracts Tendering Fund – in response to uneven spending situations as a result of the tendering process for transport.
- 10.20 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.
- 10.21 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.
- 10.22 Information Technology Reserve – for responding to the demands in the information technology field, including a renewals fund and to respond to uneven patterns of expenditure.
- 10.23 Preparatory Work for European Grant Funding Schemes – provision towards the cost of preparing business cases to attract European funding sources and grants.
- 10.24 Supporting the Financial Strategy Reserve – a fund established to assist and support the Council’s financial strategy.
- 10.25 Welfare Fund - provision to respond to uneven patterns in the related requirements.
- 10.26 Partnering Arrangements – includes amounts allocated in relation to various requirements of partnerships and joint working.
- 10.27 North Wales Economic Ambition Board Fund - for the requirements and commitments of the economic promotion plan relevant to the North Wales Economic Ambition Board.
- 10.28 Liabilities Related to the Pension Fund – for various future requirements and commitments.
- 10.29 Council Tax Property Transfers Reserve – provision relating to the implications of properties transferring from Council Tax to National Domestic Rates.
- 10.30 Various Other Reserves – includes amounts set aside to meet a variety of other commitments.

NOTE 11 – OTHER OPERATING EXPENDITURE

2016/17		2017/18
£'000		£'000
1,829	Community Council's Precepts	1,994
	Levies	
11,990	North Wales Police and Crime Commissioner	12,518
5,598	North Wales Fire Authority	5,852
962	Snowdonia National Park Authority	962
87	Local Drainage Boards	91
18,637		19,423
694	(Gains)/losses on the disposal and de-recognition of non-current assets	546
21,160	Total	21,963

NOTE 12 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016/17		2017/18
£'000		£'000
6,380	Interest payable and similar charges	6,123
6,243	Net interest on the net defined benefit liability/(asset)	6,237
(313)	Interest receivable and similar income	(211)
12,310	Total	12,149

NOTE 13 – TAXATION AND NON-SPECIFIC GRANT INCOME

2016/17		Note	2017/18
£'000			£'000
(74,640)	Council Tax Income	13a	(76,608)
(37,158)	Non-Domestic Rates	13b	(40,451)
(129,800)	Non-ring-fenced Government Grants	32	(128,505)
(9,288)	Capital Grants and Contributions	32	(11,039)
(250,886)	Total		(256,603)

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 2017/18 was calculated as follows:-

CALCULATION OF THE COUNCIL TAX BASE FOR 2017/18			
Valuation Bands	Number of Properties following discounts	Statutory Multiplier	Equivalent Band D Properties
A*	6	5/9	3.19
A	7,403	6/9	4,935.40
B	13,400	7/9	10,421.97
C	10,641	8/9	9,458.57
D	9,192	1	9,192.04
E	7,402	11/9	9,046.54
F	3,649	13/9	5,270.06
G	1,165	15/9	1,942.08
H	168	18/9	335.50
I	56	21/9	130.67
Total			50,736.02
Council Tax base after allowing for losses on collection			50,228.66

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

2016/17		2017/18
£'000		£'000
(74,750)	Council Tax raised	(76,848)
110	Less Increase in the provision for bad debts	240
(74,640)		(76,608)

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 (49.9p in 2017/18) 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 2017/18 financial year there were 8,027 properties on the local valuation list in Gwynedd, representing a rateable value of £111,787,301.

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

2016/17		2017/18
£'000		£'000
(37,789)	National Non-Domestic Rate raised	(39,385)
381	Cost of Collection allowance	394
331	Provision for Bad Debts	310
37,077	Sum paid to the National Pool	38,681
0		0
(37,158)	Receipts from the National Pool	(40,451)
(37,158)	Net Income from Non-Domestic Rates	(40,451)

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 loss in 2017/18, but it can be seen that there is an accumulated surplus over the three-year period.

2017/18	£'000
Total charges income received (excluding VAT)	(413)
Total expenditure incurred	433
(Surplus)/Deficit for 2017/18	20
(Surplus)/Deficit for 2016/17	(20)
(Surplus)/Deficit for 2015/16	(2)
(Surplus)/Deficit for the last three years	(2)

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Movements on Property, Plant and Equipment Balances

Movements in 2017/18:

	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 01.04.17	291,440	198,172	40,601	1,090	2,108	5,507	538,918
Additions	7,020	4,355	2,591	0	3	5,523	19,492
Sales	(3)	0	(2,604)	0	(166)	0	(2,773)
Transfers	2,211	0	0	0	405	(2,616)	0
Revaluation - to Revaluation Reserve	(4,703)	0	0	38	98	0	(4,567)
Revaluation - to Services	(1,277)	0	0	0	(181)	0	(1,458)
Balance at 31.03.18	294,688	202,527	40,588	1,128	2,267	8,414	549,612
Depreciation							
Balance at 01.04.17	4,790	39,215	23,511	10	2	0	67,528
Depreciation in year	5,024	5,330	3,864	1	2	0	14,221
Sales	0	0	(2,133)	0	(2)	0	(2,135)
Transfers	0	0	0	0	0	0	0
Revaluation	(3,417)	0	0	(11)	(3)	0	(3,431)
Balance at 31.03.18	6,397	44,545	25,242	0	(1)	0	76,183
Impairment							
Balance at 01.04.17	35,236	63	68	230	67	0	35,664
Impairment in year - to Revaluation Reserve	2,644	0	0	0	0	0	2,644
Impairment in year - to Services	4,033	0	0	0	9	0	4,042
Sales	0	0	0	0	(7)	0	(7)
Transfers	0	0	0	0	0	0	0
Revaluation	(9,532)	0	0	(1)	(60)	0	(9,593)
Balance at 31.03.18	32,381	63	68	229	9	0	32,750
Net Book Value	255,910	157,919	15,278	899	2,259	8,414	440,679
31 March 2018							
Net Book Value	251,414	158,894	17,022	850	2,039	5,507	435,726
31 March 2017							

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

Comparative Movements in 2016/17:

	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 01.04.16	272,021	193,750	38,395	1,073	2,581	10,351	518,171
Additions	5,487	4,422	3,006	17	3	11,414	24,349
Sales	(1,798)	0	(800)	0	(407)	0	(3,005)
Transfers	16,336	0	0	0	(69)	(16,258)	9
Revaluation - to Revaluation Reserve	1,855	0	0	0	0	0	1,855
Revaluation - to Services	(2,461)	0	0	0	0	0	(2,461)
Balance at 31.03.17	291,440	198,172	40,601	1,090	2,108	5,507	538,918
Depreciation							
Balance at 01.04.16	4,055	33,992	20,736	9	1	0	58,793
Depreciation in year	4,685	5,223	3,555	1	2	0	13,466
Sales	(102)	0	(780)	0	0	0	(882)
Transfers	0	0	0	0	(1)	0	(1)
Revaluation	(3,848)	0	0	0	0	0	(3,848)
Balance at 31.03.17	4,790	39,215	23,511	10	2	0	67,528
Impairment							
Balance at 01.04.16	32,132	63	68	230	63	0	32,556
Impairment in year - to Revaluation Reserve	2,374	0	0	0	0	0	2,374
Impairment in year - to Services	4,859	0	0	0	5	0	4,864
Sales	(175)	0	0	0	0	0	(175)
Transfers	0	0	0	0	(1)	0	(1)
Revaluation	(3,954)	0	0	0	0	0	(3,954)
Balance at 31.03.17	35,236	63	68	230	67	0	35,664
Net Book Value	251,414	158,894	17,022	850	2,039	5,507	435,726
31 March 2017							
Net Book Value	235,834	159,695	17,591	834	2,517	10,351	426,822
31 March 2016							

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

The Council's operational Land and Buildings were revalued 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. Note that the Authority has established a rolling programme for revaluing different categories of these assets annually. Refer to this note also for the basis of depreciation on various categories of assets.

12 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 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 narrative report.

Capital Commitments

Significant commitments under capital contracts at 31 March 2018 were as follows:

	Sum	Payments	Balance
	£'000	to date	£'000
	£'000	£'000	£'000
Caernarfon Town and Shores Regeneration Scheme	679	446	233
Ysgol Y Berwyn - extension and refurbishment	8,897	8,136	761

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:

	2016/17	2017/18
	£'000	£'000
Rental income from investment property	3	9
Net gain/(loss)	3	9

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 nor for its repair, maintenance or enhancement.

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

	2016/17	2017/18
	£'000	£'000
Balance 1 April	247	197
Disposals	0	(81)
Net gains/(losses) from fair value adjustments	0	0
<u>Transfers:</u>		
(to)/from Property, Plant and Equipment	(50)	0
Balance 31 March	197	116

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 is 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
- Service Concession Arrangements (Private Finance Initiative (PFI)) contracts detailed in Note 42
- overdraft with Barclays Bank plc
- short-term loans from other local authorities and housing associations
- finance leases detailed in Note 35
- 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:

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

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

- cash
- bank accounts
- fixed term deposits with banks and building societies
- loans to other local authorities
- loans to small companies
- 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	31 March	31 March	31 March
	2017	2018	2017	2018
	£'000	£'000	£'000	£'000
Loans at amortised cost:				
Principal sum borrowed	108,143	107,810	2,702	10,333
Accrued interest	0	0	633	532
Total Borrowing	108,143	107,810	3,335	10,865
Loans at amortised cost:				
Bank overdraft	0	0	30,035	45,538
Total Cash Overdrawn	0	0	30,035	45,538
Liabilities at amortised cost:				
Trade Payables	0	0	0	0
Finance Leases	1,993	1,851	0	0
Total other Long-Term Liabilities	1,993	1,851	0	0
Liabilities at amortised cost:				
Trade Payables	0	0	54,912	55,494
Finance Leases	0	0	134	142
Included in Creditors*	0	0	55,046	55,636
Total Financial Liabilities	110,136	109,661	88,416	112,039

* The short-term creditors line on the Balance Sheet includes £937,000 (£1,927,000 at 31 March 2017) 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 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000
Loans and Receivables:				
Principal at amortised cost	17	17	26,000	33,000
Accrued interest	0	0	44	37
Available-for-sale investments:				
Principal at amortised cost	2,154	0	0	1,991
Total Investments	2,171	17	26,044	35,028
Loans and Receivables:				
Cash	0	0	59	58
Cash equivalents at amortised cost	0	0	1,325	12,345
Total Cash and Cash Equivalents	0	0	1,384	12,403
Loans and Receivables:				
Trade Receivables	4,094	4,101	32,341	39,007
Included in Debtors*	4,094	4,101	32,341	39,007
Total Financial Assets	6,265	4,118	59,769	86,438

* The short-term debtors line on the Balance Sheet includes £18,067,000 (£22,548,000 at 31 March 2017) 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 Statement. The 2017/18 Code of Practice sets out specific accounting and disclosure requirements for soft loans. During 2017/18 Gwynedd Council identified the following “soft loans”:

- Deferred Payments on charges due from people under care (amount outstanding at 31.03.18 £2,098,027)
- Car and Bike Loans to employees (amount outstanding at 31.03.18 £1,144,101)

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 liabilities 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.

	2016/17			2017/18		
	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	13,065	(13,065)	0	9,917	(9,917)	0
Total Financial Assets	13,065	(13,065)	0	9,917	(9,917)	0
Bank overdraft	(43,100)	13,065	(30,035)	(55,455)	9,917	(45,538)
Total Financial Liabilities	(43,100)	13,065	(30,035)	(55,455)	9,917	(45,538)

(c) Financial Instruments - Gains and Losses

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

	Financial Liabilities		Financial Assets	
	Liabilities measured at amortised cost		Loans and Receivables	Total 2017/18
	£'000		£'000	£'000
Interest expense	6,122		0	6,122
Interest payable and similar charges	6,122		0	6,122
Interest income	0		(211)	(211)
Interest and investment income	0		(211)	(211)
Net (gain)/loss for the year	6,122		(211)	5,911

(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 31 March 2018, 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 31 March.
- Other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

- No early repayment or impairment is recognised.
- 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 2017 £'000	Fair Value 31 March 2017 £'000	Carrying Amount 31 March 2018 £'000	Fair Value 31 March 2018 £'000
Financial Liabilities:				
Loans borrowed	(111,478)	(181,814)	(118,143)	(182,832)
Finance leases	(2,127)	(2,127)	(1,993)	(1,993)
Trade Payables	(54,912)	(54,912)	(53,865)	(53,865)
Total Financial Liabilities	(168,517)	(238,853)	(174,001)	(238,690)
Financial Assets:				
Long-term investments	2,171	2,171	17	17
Short-term investments	26,000	26,044	34,991	35,028
Trade Receivables	32,341	32,341	39,007	39,007
Total Financial Assets	60,512	60,556	74,015	74,052

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 and covered bonds. The maturity dates of these investments were all within 12 months of the Balance Sheet date.

(e) Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities (revised in December 2017).

In line with 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, is based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- *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.

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

- *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 2017/18 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 2017/18 a limit of 5% of the total portfolio was placed on the amount that can be invested with a single counterparty (reduced to £1m for some building societies and 2.5% for the RBS Group). The Council also set a total group investment limit of 5% for institutions that are part of the same banking group (reduced to 2.5% for the RBS Group). No more than £40m 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 £33m 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 31 March 2018 that this was likely to crystallise.

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 £3,938,407 equating to 98% from the administrators up to 31 March 2018. The administration is ongoing, but it is likely that the full amount should eventually be recovered.

The Council does not hold collateral security against any investments.

The credit quality of £1.991m of the Council's investments is enhanced as they are covered bonds which have a pool of assets that secures the bond if the issuer fails. This collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

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

Credit Rating	Short-Term	
	31 March 2017	31 March 2018
	£'000	£'000
AAA	0	4,991
AA+	0	0
AA	0	3,000
AA-	10,000	13,000
A+	0	0
A	8,000	4,000
A-	1,000	0
Unrated building societies	4,000	1,000
Unrated local authorities	3,000	9,000
Total Investments	26,000	34,991

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

Credit Rating	Long-Term	
	31 March 2017	31 March 2018
	£'000	£'000
AAA	2,103	0
AA+	0	0
AA	0	0
AA-	0	0
A+	0	0
A	0	0
A-	0	0
Unrated	0	0
Total Investments	2,103	0

Trade Receivables

The Council also has a number of longer-term debtors including car loans to employees and one mortgage to a member 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 mortgage is low risk due to the first charge held by the Council on mortgaged property.

The Council has launched a Business Loan Fund for small and medium-sized businesses within Gwynedd. The interest rates charged on such loans are 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 2017	31 March 2018
	£'000	£'000
Less than 1 year	2,702	10,333
Over 1 but not over 2	333	2,236
Over 2 but not over 5	5,322	4,590
Over 5 but not over 10	17,613	17,128
Over 10 but not over 20	27,626	32,792
Over 20 but not over 30	13,697	7,511
Over 30 but not over 40	17,986	17,986
Over 40	9,367	25,567
Uncertain date*	16,200	0
Total	110,846	118,143

* The Council had £16.2m of "Lender's option, borrower's option" (LOBO) loans where the lender had the option to propose an increase in the rate payable; the Council did then have the option to accept the new rate or repay the loan without penalty. The maturity date was therefore uncertain.

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

Market Risk: 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 2018, 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	31	6
Impact on Surplus or Deficit on the Provision of Services	31	6
Change in fair value of fixed rate investment assets	0	0
Impact on Other Comprehensive Income and Expenditure	0	0
Change in fair value of fixed rate borrowings / liabilities*	(25,393)	25,393

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

Market Risk: 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 did have shares in a Local Authority Waste Disposal Company (LAWDC). Gwynedd and Ynys Môn Councils decided to terminate the arrangement in 2007/08 and to undertake the work in-house, with the relevant operational assets, liabilities and staff transferred to the Council in January 2008. The company was wound up in 2017/18 and the Council received £43,784.25 in respect of its share of the assets.

Market Risk: Foreign Exchange Risk

The Council has no financial assets 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 2017	31 March 2018
	£'000	£'000
Welsh Government	28,921	30,423
Other Central Government Bodies	7,187	6,159
Other Local Authorities	2,608	2,761
National Health Service	2,594	2,980
Public Corporations and Trading Funds	18	46
Council Tax	1,846	1,932
Other Entities and Individuals	11,715	12,773
Total	54,889	57,074

NOTE 19 – CASH AND CASH EQUIVALENTS

	31 March 2017	31 March 2018
	£'000	£'000
Cash in Hand	13	13
Bank Current Accounts	46	45
Call Accounts	1,325	12,345
Cash and Cash Equivalents	1,384	12,403
Bank Overdraft	(30,035)	(45,538)
Total	(28,651)	(33,135)

In order to maximise the returns from Short-Term Investments and Cash Deposits, the Council invests any 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 £37m (£15.7m at 31 March 2017).

NOTE 20 – ASSETS HELD FOR SALE

	2016/17	2017/18
	£'000	£'000
Balance 1 April	459	148
<u>Assets newly classified as held for sale:</u>		
Property, Plant and Equipment	74	0
Expenditure in year	2	0
Revaluation Losses	0	0
Impairment Losses	(2)	0
<u>Assets declassified as held for sale:</u>		
Property, Plant and Equipment	(35)	0
Assets sold	(350)	(75)
Balance 31 March	148	73

NOTE 21 – SHORT-TERM CREDITORS

	31 March 2017	31 March 2018
	£'000	£'000
Welsh Government	2,774	1,505
Other Central Government Bodies	3,622	4,705
Other Local Authorities	7,333	12,325
National Health Service	358	438
Public Corporations and Trading Funds	250	1,996
Council Tax	1,310	1,008
Other Entities and Individuals	41,325	34,596
Total	56,972	56,573

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 2017 £'000	(Addition) / Reduction / Transfer £'000	Used during the year £'000	Balance at 31 March 2018 £'000
<u>Short-Term Provisions</u>				
Waste Sites Provision	(257)	(244)	244	(257)
Third Party Claims Provision	(100)	13	87	0
	(357)	(231)	331	(257)
<u>Long-Term Provisions</u>				
Waste Sites Provision	(7,592)	257	0	(7,335)
Third Party Claims Provision	(93)	0	0	(93)
MMI Insurance Provision	(91)	0	0	(91)
	(7,776)	257	0	(7,519)
Total	(8,133)	26	331	(7,776)

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 in the Adults and Consultancy areas.

Municipal Mutual Insurance (MMI) 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.

NOTE 23 – UNUSABLE RESERVES

31 March 2017	31 March 2018
£'000	£'000
71,974 Revaluation Reserve	76,405
(17) Available-For-Sale Financial Instruments Reserve	(170)
187,120 Capital Adjustment Account	187,522
(760) Financial Instruments Adjustment Account	(743)
(235,413) Pensions Reserve	(226,981)
(3,935) Accumulated Absences Account	(3,387)
18,969 Total Unusable Reserves	32,646

23.1 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.

2016/17	2017/18
£'000	£'000
67,131 Balance 1 April	71,974
9,916 Upward revaluation of assets	10,889
(2,634) Downward revaluation of assets and impairment losses	(5,076)
7,282 Surplus/(deficit) on revaluation of assets	5,813
(1,219) Difference between fair value depreciation and historical cost depreciation	(1,232)
(1,220) Accumulated gains on assets sold	(150)
(2,439) Amount written off to the Capital Adjustment Account	(1,382)
71,974 Balance 31 March	76,405

23.2 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 23 – UNUSABLE RESERVES (continued)

2016/17 £000	2017/18 £'000
142 Balance 1 April	(17)
0 Upward revaluation of investments	0
(159) Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(153)
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
(17) Balance 31 March	(170)

23.3 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.

2016/17 £'000	2017/18 £'000
186,954 Balance 1 April	187,120
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(20,793) Charges for depreciation and impairment of non-current assets	(19,721)
(4,987) Revenue Expenditure funded from Capital under Statute	(3,892)
(1,077) Adjustment to non-current balance on the sale of assets	(637)
1,219 Transfer from Capital Revaluation Reserve	1,232
<u>Capital financing applied in the year:</u>	
770 Capital Receipts	1,384
11,606 Grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,255
5,593 Revenue provision for the financing of supported capital investment	5,547
5,972 Capital expenditure charged in year against the General Fund	3,120
1,863 Capital receipts set aside / Revenue provision for the financing of unsupported capital investment	2,114
187,120 Balance 31 March	187,522

NOTE 23 – UNUSABLE RESERVES (continued)

23.4 Financial Instruments Adjustment Account

The Financial Instruments Adjustment 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 them to be deferred over future years.

There is a requirement for all premiums and discounts arising from loan extinguishments 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.

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 Financial Instruments Adjustment Account are as follows:

2016/17		2017/18
£'000		£'000
(835)	Balance 1 April	(760)
46	Proportion of premiums incurred in previous years charged to General Fund in accordance with statute	46
29	Deferred credit for receipt of charges due from people under care	(29)
(760)	Balance 31 March	(743)

NOTE 23 – UNUSABLE RESERVES (continued)

23.5 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.

2016/17 £000		2017/18 £000
(178,332)	Balance 1 April	(235,413)
(51,322)	Remeasurements of the net defined benefit (liabilities) / assets	22,330
(26,259)	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	(41,757)
20,500	Employer's pensions contributions and direct payments to pensioners payable in the year	27,859
(235,413)	Balance 31 March	(226,981)

23.6 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.

2016/17 £'000		2017/18 £'000
(3,392)	Balance 1 April	(3,935)
(543)	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	548
(3,935)	Balance 31 March	(3,387)

NOTE 24a – CASH FLOW STATEMENT: ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2016/17	2017/18
£'000	£'000
(13,466) Depreciation	(14,221)
(7,327) Impairment and downward valuations	(5,500)
(1,636) (Increase)/Decrease in Creditors	248
22,340 Increase/(Decrease) in Debtors	2,178
(35) Increase/(Decrease) in Stock	(221)
(5,759) Pension Liability	(13,898)
(2,297) Carrying amount of non-current assets sold or de-recognised	(786)
(4,919) Other non-cash items charged to net surplus/deficit on the provision of services	(2,998)
(13,099)	(35,198)

NOTE 24b – CASH FLOW STATEMENT – ADJUST FOR ITEMS INCLUDED IN THE NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES

2016/17	2017/18
£'000	£'000
1,603 Proceeds from sale of property, plant and equipment, investment property and intangible assets	240
1,603	240

NOTE 24c – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2016/17	2017/18
£'000	£'000
(323) Interest received	(218)
5,616 Interest paid	5,410

NOTE 25 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2016/17		2017/18
£'000		£'000
24,438	Purchase of property, plant and equipment, investment property and intangible assets	20,431
332,978	Purchase of short-term and long-term investments	409,330
4,780	Other payments for investing activities	3,900
(1,633)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(216)
(356,989)	Proceeds from short-term and long-term investments	(402,341)
3,574	Net cash flows from investing activities	31,104

NOTE 26 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2016/17		2017/18
£'000		£'000
126	Cash payments for the reduction of the outstanding liability relating to Finance Leases	134
1,955	Repayments of short-term and long-term borrowing	(7,197)
2,081	Net cash flows from financing activities	(7,063)

NOTE 27 – EXPENDITURE AND INCOME ANALYSED BY NATURE

The Authority's expenditure and income is analysed as follows:

2016/17 £'000	<u>Expenditure / Income</u>	2017/18 £'000
	Expenditure	
167,044	Employee benefits expenses	178,611
135,913	Other Services expenses	159,266
21,725	Support Services recharges	2,922
23,503	Depreciation, amortisation, impairment	23,634
12,623	Interest Payments	12,360
20,466	Precepts and Levies	21,417
734	Loss on the disposal of assets	546
382,008	Total Expenditure	398,756
	Income	
(55,838)	Fees, charges and other service income	(50,785)
(313)	Interest and investment income	(211)
(111,806)	Income from council tax and non-domestic rates	(117,059)
(204,758)	Government grants and contributions	(215,300)
(40)	(Gain) on the disposal of assets	0
(372,755)	Total Income	(383,355)
9,253	(Surplus) / Deficit on the Provision of Services	15,401

NOTE 28 – AGENCY SERVICES

Gwynedd Council acts as an agent for various schemes on behalf of the Welsh Government:

- Houses into Homes – closing balance £521k (£372k in 2016/17)
- Houses into Homes 2 – closing balance £396k (£396k in 2016/17)
- Home Improvement Loans – closing balance £315k (£315k in 2016/17)
- Supporting Town Centre Regeneration in Caernarfon – closing balance £228k (£431k in 2016/17)
- Caernarfon and Bangor Town Centre Scheme – closing balance £800k (£850k in 2016/17)
- Bangor and Bethesda Town Centre Scheme – closing balance £500k (£0 in 2016/17).

The Council also administers the North and Mid Wales Trunk Road Agency on behalf of the Welsh Government. 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 1,100 kilometres. The income transactions recovered during 2017/18 were £54.5m (£62.9m in 2016/17).

NOTE 29 – MEMBERS’ ALLOWANCES

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

2016/17		2017/18
£'000		£'000
1,259	Allowances	1,255
61	Expenses	61
1,320		1,316

NOTE 30 – OFFICERS’ REMUNERATION

30a. The Accounts and Audit (Wales) (Amendment) Regulations 2018 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 (including termination benefits), but the employer’s national insurance contributions are excluded.

2016-17			Chief Officers	2017-18		
Employer's Pension				Employer's Pension		
Salary	Contributions	Total		Salary	Contributions	Total
£	£	£		£	£	£
106,787	23,920	130,707	Chief Executive ¹	109,811	24,598	134,409
91,125	20,412	111,537	Corporate Director	92,036	20,616	112,652
91,125	20,412	111,537	Corporate Director	92,036	20,616	112,652
			Head of Education ²	71,950	16,117	88,067
91,589	20,516	112,105	Head of Education (previous holder) ³	17,737	3,973	21,710
77,349	17,326	94,675	Head of Finance	78,122	17,499	95,621
75,395	16,888	92,283	Head of Highways and Municipal	73,485	16,461	89,946
77,009	17,350	94,359	Head of Adults, Health and Wellbeing	72,692	16,283	88,975
71,972	16,122	88,094	Head of Economy & Community	72,692	16,283	88,975
70,174	15,719	85,893	Head of Children and Families	72,692	16,283	88,975
65,338	14,836	80,174	Head of Environment	69,058	15,469	84,527
66,575	14,913	81,488	Head of Corporate Support	69,058	15,469	84,527
60,798	13,619	74,417	Head of Gwynedd Consultancy	61,406	13,755	75,161
42,979	9,627	52,606	Specialised Programmes Leader ⁴	42,970	9,625	52,595
42,979	9,627	52,606	Specialised Programmes Leader ⁴	42,970	9,625	52,595

1) The figures do not include any remuneration for the Chief Executive in his role as Returning Officer. £3,330 was paid in 2017/18, which is based on rates defined by the respective election bodies.

2) Holder in post since May 2017 on a temporary basis, and permanently since November 2017.

3) Holder in post until 31 May 2017. GwE repaid 80% of the costs.

4) Part time post

30b. The Accounts and Audit (Wales) (Amendment) Regulations 2018 require the Authority to include a ratio of remuneration. The ratio of the Chief Executive’s remuneration to the median remuneration of all the Authority’s employees for 2017/18 is 6.70 : 1 (5.39 : 1 in 2016/17).

NOTE 30 – OFFICERS' REMUNERATION (continued)

30c. 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 but which include termination benefits paid in two cases in 2017/18 and eight cases in 2016/17. 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 2016/17				Number in 2017/18		
Schools	Other	Total		Schools	Other	Total
6	6	12	£60,000 - 64,999	9	2	11
4	1	5	£65,000 - 69,999	4	1	5
6	1	7	£70,000 - 74,999	7	0	7
2	0	2	£75,000 - 79,999	0	1	1
1	0	1	£80,000 - 84,999	2	0	2
0	1	1	£85,000 - 89,999	0	0	0
0	1	1	£90,000 - 94,999	0	0	0
1	0	1	£95,000 - 99,999	1	0	1
0	0	0	£100,000 - 104,999	0	0	0
0	0	0	£105,000 - 109,999	0	0	0
0	0	0	£110,000 - 114,999	0	0	0
0	0	0	£115,000 - 119,999	0	0	0
0	0	0	£120,000 - 124,999	0	0	0
0	0	0	£125,000 - 129,999	0	0	0
0	1	1	£130,000 - 134,999	0	0	0

NOTE 31 – EXTERNAL AUDIT COSTS

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

2016/17		2017/18
£'000		£'000
183	Fees payable to the auditor appointed by the Auditor General for Wales with regard to external audit services	182
99	Fees payable to the auditor appointed by the Auditor General for Wales in respect of statutory inspections	100
90	Fees payable to the auditor appointed by the Auditor General for Wales for the certification of grant claims and returns for the year	89
372		371
(2)	Less: Fees payable to the auditor appointed by the Auditor General for Wales in respect of Joint Committees and Harbour Accounts	(2)
0	Less: Adjustment for 2016/17 statutory audit fees	(9)
370	Gwynedd Council Net Fees	360

Deloitte have been appointed by the Auditor General for Wales as Gwynedd Council's external auditor.

NOTE 32 – GRANT INCOME

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

	Note	2016/17 £'000	2017/18 £'000
Credited to Taxation and Non-Specific Grant Income			
Revenue Support Grant (Non-ring-fenced Government Grants)	13	129,792	128,505
Government Revenue Grants and Contributions - Other		8	413
Government Capital Grants and Contributions -			
21st Century Schools		3,199	1,629
General Capital Grant		2,516	2,525
Other		3,449	4,852
	13	9,164	9,006
Other Capital Grants and Contributions	13	124	2,033
Total		139,088	139,957
Grants and Contributions Credited to Services			
Welsh Government -			
Supporting People Grant (SPG & SPRG)		5,044	4,992
Improvement and Deprivation Grants (Education)		7,477	7,533
Sustainable Waste Management Grant		3,516	3,414
Post-16 Grant (Education)		3,257	3,387
Other		13,420	15,840
		32,714	35,166
Other Government Grants and Contributions -			
Department for Work and Pensions		30,237	29,790
Other		12,015	12,833
		42,252	42,623
Other Grants and Contributions		3,736	4,789
Total		78,702	82,578

NOTE 32 – 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 2017 £'000	31 March 2018 £'000
Grants Received in Advance		
<u>Long-Term</u>		
Revenue Grants and Contributions		
Environment (Planning, Transport and Public Protection) Grants	752	843
	752	843
Capital Grants and Contributions		
Highways and Municipal Capital Contributions	1,519	1,373
Environment (Planning, Transport and Public Protection) Grants	1,231	353
	2,750	1,726
Total Long-Term	3,502	2,569
<u>Short-Term</u>		
Revenue Grants and Contributions		
Economy and Community Grants	376	287
Environment (Planning, Transport and Public Protection) Grants	420	446
Adults, Health and Wellbeing Grants	1,036	682
Other Grants	109	115
	1,941	1,530
Capital Grants and Contributions	255	257
Total Short-Term	2,196	1,787
Total	5,698	4,356

NOTE 33 – 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 Members and Senior Officers completing a personal declaration, as defined in the CIPFA Code of Practice. One member of the Council did not return a personal declaration.

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 with 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 27 which analyses expenditure and income by nature. The position as at 31 March is detailed in Note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 29.

The Authority appoints members to some external charitable or voluntary bodies or the members have disclosed a link to organisations, public bodies and authorities. A breakdown of the payments made to these bodies under this heading during 2017/18 and balances at 31 March 2018 is as follows:

Payments made	Amounts owed by the Council	Amounts owed to the Council
£'000	£'000	£'000
15,668	743	(4,744)

Members have declared an interest or relationship (as defined) in companies or businesses which may have dealings with the Council. A breakdown of the payments made to these companies under this heading during 2017/18 and balances at 31 March 2018 is as follows:

Payments made	Amounts owed by the Council	Amounts owed to the Council
£'000	£'000	£'000
2,004	35	(44)

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 Council. A breakdown of the payments made to these bodies under this heading during 2017/18 and balances at 31 March 2018 is as follows:

Payments made	Amounts owed by the Council	Amounts owed to the Council
£'000	£'000	£'000
1,931	30	(277)

Other Public Bodies

The Authority is the administering authority for the Pension Fund. Details of transactions with the Pension Fund are shown in Note 38 on pages 69 to 73.

NOTE 33 – RELATED PARTIES (continued)

Welsh Joint Education Committee (WJEC)

WJEC was established in 1948 as a consortium of local education authorities in Wales. Now, WJEC CBAC Ltd. is a company limited by guarantee, registered in England and Wales and is a registered independent charity managed by a Board of Directors and Senior Management Team. The Education Department has a Service Level Agreement with WJEC to produce and publish educational resources and provide professional development support.

Payments made	Amounts owed by the Council	Amounts owed to the Council
£'000	£'000	£'000
642	1	0

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, Penrallt, Caernarfon, Gwynedd, LL55 1BN. Payments to Cwmni Cynnal during 2017/18 for services to schools and balances at 31 March 2018 are as follows:

Payments made	Amounts owed by the Council	Amounts owed to the Council
£'000	£'000	£'000
1,039	46	(4)

Cwmni Gwastraff Môn-Arffon Cyf. was established in 1994 as a Local Authority Waste Disposal Company. Gwynedd and Ynys Môn Councils decided to terminate the arrangement in 2007/08 and to undertake the work in-house, with the relevant operational assets, liabilities and staff transferred to the Council in January 2008. The company was wound up in 2017/18 and the Council received £43,784.25 in respect of its share of the assets.

NOTE 34 – 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
2017		2018
£'000		£'000
436,131	Non-current Assets and Assets held for sale	440,928
(71,974)	Revaluation Reserve	(76,405)
(187,120)	Capital Adjustment Account	(187,522)
177,037	Capital Financing Requirement	177,001

NOTE 34 – CAPITAL EXPENDITURE AND CAPITAL FINANCING (continued)

The movement in the year is explained as follows:

2016/17		2017/18
£'000		£'000
173,503	Capital Financing Requirement 1 April	177,037
5,487	Land and Buildings	7,020
4,422	Infrastructure	4,355
3,006	Vehicles, Plant and Equipment	2,591
17	Community Assets	0
3	Surplus Assets	3
11,414	Assets under construction	5,523
2	Assets held for sale	0
4,987	Funded from capital under statute	3,892
(770)	Capital Receipts used	(1,384)
(11,606)	Government Grants and other contributions	(11,255)
(5,972)	Capital expenditure charged to revenue	(3,120)
(5,593)	Revenue provision for the financing of supported capital investment	(5,547)
	Additional voluntary set aside:	
(1,863)	Revenue provision for the financing of unsupported capital investment	(2,114)
177,037	Capital Financing Requirement 31 March	177,001

NOTE 35 – LEASES

Authority as Lessee

Finance Leases

The Council has property under finance leases which are carried as Property, Plant and Equipment in the Balance Sheet. Included here is the GwyrAD Service Concession Arrangements (Note 42) at the following net amount:

31 March		31 March
2017		2018
£'000		£'000
3,987	Property, Plant and Equipment	3,738
3,987		3,738

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 35 – LEASES (continued)

31 March 2017 £'000		31 March 2018 £'000
	Finance Lease Liabilities (net present value of minimum lease payments):	
134	current	142
1,993	non-current	1,851
2,127	Minimum lease payments	1,993

The remaining asset shown above has been funded by a deferred credit (refer to Note 42).

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000
	No later than one year	134	142	134
Later than one year and not later than five years	623	662	623	662
Later than five years	1,370	1,189	1,370	1,189
	2,127	1,993	2,127	1,993

In 2017/18, minimum lease payments were made by the Authority of £133,947 (£126,168 in 2016/17) in respect of those assets held as a finance lease.

Operating Leases

	31 March 2017 £'000	31 March 2018 £'000
No later than one year	457	402
Later than one year and not later than five years	587	449
Later than five years	142	115
	1,186	966

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

	2016/17 £'000	2017/18 £'000
Minimum lease payments	564	596
	564	596

NOTE 35 – LEASES (continued)

Authority as Lessor

Finance Leases

The Council has leased out property on a finance lease, including:

- The Sailing Academy in Pwllheli,
- Rhyd Ddu Centre

These leases are on a peppercorn rent basis and for a term that equates to the economic life of the assets. No premium has been received for these leases.

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 centres
- 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 2017 £'000	31 March 2018 £'000
No later than one year	394	336
Later than one year and not later than five years	629	511
Later than five years	2,732	2,819
	3,755	3,666

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 2017/18 £930,904 minimum lease payments were receivable by the Authority (£908,227 in 2016/17).

NOTE 36 – 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 2018 are included. Included below are the related gross costs but not the financial savings to the Council, where appropriate.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £'000	2017/18 £'000
£								
0 - 20,000	32	69	35	15	67	84	485	331
20,001 - 40,000	2	10	17	7	19	17	517	489
40,001 - 60,000	3	1	0	2	3	3	136	161
60,001 - 80,000	0	1	2	4	2	5	123	337
80,001 - 100,000	0	0	1	2	1	2	81	172
100,001 - 150,000	0	0	0	2	0	2	0	215
Reflects adjustment to previous year estimates							23	0
Total	37	81	55	32	92	113	1,365	1,705

NOTE 37 – PENSION 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 Financial Statement, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017/18 the Council paid £6.63m (£6.63m in 2016/17) in respect of teachers' pension costs, which represented 16.07% (15.74% in 2016/17) 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 2017/18 these amounted to £1.54m (£1.17m in 2016/17) representing 3.74% (2.79% in 2016/17) of teachers' pensionable pay. These costs are accounted for on a defined benefits basis and are included in Note 38.

NOTE 38 – 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 38 – PENSION COSTS (continued)

Change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability	Period ended 31 March 2017			Period ended 31 March 2018		
	Assets	Liabilities	Net (liability) /asset	Assets	Liabilities	Net (liability) /asset
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Plan Assets	547,025	0	547,025	649,714	0	649,714
Present Value of Funded Liabilities	0	(699,750)	(699,750)	0	(856,715)	(856,715)
Present Value of Unfunded Liabilities	0	(25,607)	(25,607)	0	(28,412)	(28,412)
Opening Position at 1 April	547,025	(725,357)	(178,332)	649,714	(885,127)	(235,413)
Service Cost						
Current Service Cost*	0	(19,784)	(19,784)	0	(34,926)	(34,926)
Past Service Costs (including curtailments)	0	(232)	(232)	0	(594)	(594)
Total Service Cost	0	(20,016)	(20,016)	0	(35,520)	(35,520)
Net interest						
Interest Income on Plan Assets	19,183	0	19,183	17,021	0	17,021
Interest Cost on Defined Benefit Obligation	0	(25,426)	(25,426)	0	(23,258)	(23,258)
Total Net Interest	19,183	(25,426)	(6,243)	17,021	(23,258)	(6,237)
Total Defined Benefit Cost Recognised in Profit/(Loss)	19,183	(45,442)	(26,259)	17,021	(58,778)	(41,757)
Cash flows						
Plan participants' contributions	4,992	(4,992)	0	5,269	(5,269)	0
Employer contributions	17,962	0	17,962	24,531	0	24,531
Contributions in respect of unfunded benefits	1,706	0	1,706	1,695	0	1,695
Benefits Paid	(20,072)	20,072	0	(18,937)	18,937	0
Unfunded Benefits Paid	(1,706)	1,706	0	(1,695)	1,695	0
Expected Closing Position	569,090	(754,013)	(184,923)	677,598	(928,542)	(250,944)
Remeasurements						
Change in demographic assumptions	0	3,839	3,839	0	0	0
Change in financial assumptions	0	(109,365)	(109,365)	0	18,801	18,801
Other experience	0	(25,588)	(25,588)	0	(116)	(116)
Return on Assets excluding amounts included in net interest	80,624	0	80,624	5,278	0	5,278
Total remeasurements recognised in Other Comprehensive Income (OCI)	80,624	(131,114)	(50,490)	5,278	18,685	23,963
Fair Value of Employer Assets	649,714	0	649,714	682,876	0	682,876
Present Value of Funded Liabilities	0	(856,715)	(856,715)	0	(882,416)	(882,416)
Present Value of Unfunded Liabilities**	0	(28,412)	(28,412)	0	(27,441)	(27,441)
Closing Position at 31 March	649,714	(885,127)	(235,413)	682,876	(909,857)	(226,981)

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

** This liability comprises approximately £10,388,000 in respect of LGPS unfunded pensions and £17,053,000 in respect of Teachers' unfunded pensions. For unfunded liabilities as at 31 March 2018, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

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 are not quoted. The asset split for Gwynedd Council is assumed to be in the same proportion to the Fund's asset allocation as at 31 December 2017. The split is shown in the table below. The actuary estimates the bid value of the Fund's assets as at 31 March 2018 to be £1.939m based on information provided by the Administering Authority and allowing for index returns where necessary.

NOTE 38 – 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 2017				At 31 March 2018			
	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	22,276	0	22,276	3	20,282	0	20,282	3
Manufacturing	20,119	0	20,119	3	22,403	0	22,403	3
Energy and Utilities	3,618	0	3,618	1	2,139	0	2,139	0
Financial Institutions	12,461	0	12,461	2	12,080	0	12,080	2
Health and Care	32,068	0	32,068	5	34,675	0	34,675	5
Information Technology	26,123	0	26,123	4	25,962	0	25,962	4
Other	1,780	0	1,780	0	2,355	0	2,355	0
Private Equity								
All	0	29,349	29,349	5	0	26,556	26,556	4
Debt Securities								
Other	0	81,166	81,166	12	0	99,269	99,269	14
Real Estate								
UK Property	14,275	35,476	49,751	8	15,953	36,155	52,108	8
Overseas Property	0	1,319	1,319	0	0	630	630	0
Investment Funds and Unit Trusts								
Equities	138,871	197,659	336,530	52	138,639	208,134	346,773	51
Bonds	0	0	0	0	0	0	0	0
Infrastructure	0	8,711	8,711	1	0	11,927	11,927	2
Cash and Cash Equivalents								
All	24,443	0	24,443	4	25,717	0	25,717	4
Total	296,034	353,680	649,714	100	300,205	382,671	682,876	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 were based on the latest full valuation of the scheme as at 31 March 2016. The significant assumptions used by the actuary in the following table have had a significant impact on the values of the assets and liabilities as follows:-

NOTE 38 – PENSION COSTS (continued)

	31 March 2017	31 March 2018
Financial Assumptions	% p.a.	% p.a.
Pensions Increase Rate	2.4	2.4
Salary Increase Rate*	2.4	2.4
Inflation Rate	2.4	2.4
Discount Rate	2.6	2.7
Long-term expected rate of return on all categories of assets	2.6	2.7
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	22.0	22.0
Women	24.0	24.2
Longevity at 65 for future pensioners		
Men	24.0	24.0
Women	26.4	26.4

*For unfunded liabilities as at 31 March 2018, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension at the date of the member's death.

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 2018 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 a 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 31 March 2016, 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 Defined Benefit Obligation	Approximate monetary amount
	31 March 2018	31 March 2018
	%	£'000
0.5% decrease in real discount rate	11	98,365
0.5% increase in the salary increase rate	2	18,323
0.5% increase in the pension increase rate	9	78,549

NOTE 38 – PENSION COSTS (continued)

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a 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).

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 2016), or at any other time as instructed to do so by the Administering Authority. The contributions payable over the period to 31 March 2020 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 2016 actuarial report dated 31 March 2017.

Information about the Defined Benefit Obligation

	Liability Split 31 March 2018		Weighted Average Duration
	£'000	%	
Active Members	482,536	54.7	24.7
Deferred Members	135,175	15.3	25.3
Pensioner Members	264,705	30.0	12.0
Total	882,416	100.0	19.6

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 2016.

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 2019 are £15.6m.

In April 2017, Gwynedd Council made a payment of £8.627m to the Gwynedd Pension Fund to cover the fixed element of the employer contributions for the period 2017/18 to 2019/20. By making this payment, the Council benefited from a lower contribution rate than would have otherwise been calculated.

As the Actuary's report is based on estimates and due to timing issues, an adjustment of £1,632,772 has been made in 2017/18 (£831,890 in 2016/17) to bring the deficit in the Scheme based on the Actuarial figures in line 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 39 – 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.

NOTE 39 – CONTINGENT LIABILITIES (continued)

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

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

MMI made a scheme of arrangement with its creditors, by which, if MMI 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. An initial levy of 15% of the payments made since 30 September 1992 was paid during 2013/14, and a further 10% was paid in 2016/17.

However, in accordance with the scheme, a further levy may be raised should the original levy be insufficient to meet MMI'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 40 – CONTINGENT ASSETS

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

The Authority has one contingent asset. A recent ruling by the European Court of Justice has raised the possibility of leisure services avoiding the need to charge VAT on some activities. PricewaterhouseCoopers, who are acting on behalf of several councils including Gwynedd Council in reclaiming overpaid VAT, brought the test case. If Gwynedd Council is successful, the Authority will be able to reclaim an estimated £1.76m of VAT paid for the period September 2011 until March 2018. The success of such claims is dependent on whether qualifying conditions were met and evidenced, and whether HMRC will argue that 'unjust enrichment provisions' would apply.

NOTE 41 – TRUSTS

The Council acts as sole trustee for 172 bequests such as school prize funds, and comforts and improvements funds for numerous Council Establishments. The largest fund, the Welsh Church Fund, has a completely separate accounting ledger, whereas, the Council holds the property for 171 of these bequests but makes no decision on the use of the funds. In every case, the funds do not represent the assets of the Council and therefore they have not been included in the Balance Sheet.

The total balance of the 171 bequests derecognised from the Council's Balance Sheet at 31 March 2018 was £875,560 (£679,691 on 31 March 2017). The funds are fully invested to generate income.

The largest bequests, The Welsh Church Fund and FMG Morgan Trust Fund, are detailed in Appendices A and B of these accounts.

NOTE 42 – 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 value of the related assets was £3.7m as at 31 March 2018 (£4.0m as at 31 March 2017). 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 2017/18	498	134	131	763
Payable in 2018/19	498	142	123	763
Payable within 2 to 5 years	1,991	662	398	3,051
Payable within 6 to 10 years	2,489	1,085	241	3,815
Payable within 11 to 15 years	206	104	7	317
Total	5,682	2,127	900	8,709

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 that which 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:

	2017/18	
	Lease Liability	Deferred Income
	£’000	£’000
Balance outstanding at 1 April 2017	(2,127)	(1,664)
Repayment of principal during the year	134	0
Release of deferred income	0	146
Balance outstanding at 31 March 2018	(1,993)	(1,518)

Either party can terminate the agreement at any time should there be deficiencies, subject to giving notice in accordance with the terms of the agreement. Equally, the Authority can unilaterally terminate the agreement in accordance with the terms therein. There would be compensation payments linked to any termination arrangement. At the expiry of the agreement, the Authority has the right to re-tender for a contractor to provide the service.

NOTE 43 – JOINT OPERATIONS AND JOINT COMMITTEES

The Council currently participates in a number of joint operations with neighbouring North Wales authorities.

During the year 2017/18, Gwynedd Council participated in three joint committees, collaborating in particular areas between Local Authorities. Separate accounts are required for joint committees. The three joint committees relating to Gwynedd in 2017/18 are:

- Joint Planning Policy Committee
- GwE
- 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 Financial accounts reflect 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
Joint Planning Policy Committee	Gwynedd Council	Gwynedd Council Isle of Anglesey County Council	50%	311
GwE	Gwynedd Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council Wrexham County Borough Council	18%	722
North Wales Residual Waste Treatment Project	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council	20%	34

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

The Special Educational Needs Joint Committee between Gwynedd Council and Isle of Anglesey County Council came to an end on 31 August 2017. As there was no requirement to report separately in respect of the period, it has been included as part of Gwynedd's accounts in 2017/18.

NOTE 44 – EVENTS AFTER THE BALANCE SHEET DATE

There are no known events after the balance sheet date to report.

THE WELSH CHURCH FUND

2016/17 £'000		2017/18 £'000	£'000
952	Amount of Fund at 1 April		952
	Add - Income during the year:-		
5	Interest on Investments		4
	Less - Expenditure during the year:-		
0	Decrease in the land value	(22)	
(11)	Grants and expenses	(11)	
6	Transferring Gwynedd's (Under) / Overspend	7	
			(26)
952	Amount of Fund at 31 March		930
	Represented by the following Assets:-		
365	Land and Buildings		315
23	Debtors		22
1,803	Cash in Hand		1,804
2,191			2,141
(1,232)	Less - Proportion owing to Anglesey and Conwy Councils		(1,203)
959			938
(13)	Less - Creditors		(13)
6	Add - Proportion owing from Anglesey and Conwy Councils		5
952	Total		930

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.

FMG MORGAN TRUST FUND

2016/17 £'000		2017/18 £'000
167	Amount of Fund at 1 April	174
	Add - Income during the year	
10	Interest on Assets	11
	Less - Expenditure during the year	
(3)	Grants	(3)
174	Amount of Fund at 31 March	182
	Assets	
144	Investments	144
30	Cash in Hand	38
174		182

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 accounts at cost. The market value of the investments at 31 March 2018 was £347,947 (£351,416 at 31 March 2017).
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 with the requirement to produce an Internal Control Statement in accordance with Regulation 5 of the Accounts and Audit Regulations (Wales) 2014.

Part 1: SCOPE OF RESPONSIBILITY

Gwynedd Council is responsible for ensuring that it conducts its business in accordance with the law and to proper standards and that public money is safeguarded, 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 these overall responsibilities, 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 may be obtained by writing to Gwynedd Council, County 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) Accounts and Audit (Wales) Regulations 2014 in relation to publishing 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 its communities. 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 and cost effective services.

The system of internal control is a significant part of that framework and is designed to enable the Council to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks that are relevant to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework described above has been in place at Gwynedd Council for the year ending 31 March 2018 and remains applicable up to the date of the approval of the statement of accounts.

Part 3: GOVERNANCE ARRANGEMENTS AND THEIR EFFECTIVENESS

- 3.1 The **Governance Arrangements Assessment Group** monitors matters of governance continuously in a disciplined manner, raising a wider awareness of these, and promoting a wider ownership of the Annual Governance Statement. The Group comprises the Chief Executive, the Monitoring Officer, Head of Corporate Support, two Senior Corporate Support Managers, the Senior Manager Revenue and Risk and the Risk and Insurance Manager.
- 3.2 As a result of the publication of a new version of the CIPFA/SOLACE Framework - *Delivering Good Governance in Local Government* in 2016, the Group has adapted the Council's arrangements for identifying and assessing its governance arrangements in order to reflect the new Framework. Consequently, the local framework was set out in the form of a Governance Risk Register that is part of the Corporate Risk Register, identifying 22 areas of governance risks.
- 3.3 An outline is given of the Governance Areas, the relevant risks and the Council's arrangements to deal with these, and the effectiveness of these arrangements, in the remainder of this section of the Annual Governance Statement.
- 3.4 For each Governance Risk, a current score is shown, which is the score following an objective assessment of the control arrangements that are currently in place. Consideration is given to two factors:
- The **Impact** of the risk in the event of it being realised
 - The **Likelihood** that it will occur.
- 3.5 Impact scores vary from 1 (Visible impact) to 5 (Catastrophic impact), and the Likelihood scores from 1 (very unlikely) to 5 (occurring now). The risk score is calculated by multiplying the impact score and the likelihood score.
- 3.6 The comparative level of the risks is calculated as follows:

Score 20-25	Very High Risk
Score 12-16	High Risk
Score 6-10	Medium Risk
Score 1-5	Low Risk

Culture

Risk: Inappropriate culture within the Council can hinder our ability to do the right things in the correct manner

Assessment:

An appropriate culture can promote all aspects of governance noted in the register and, in the same manner, an inappropriate culture can hinder all aspects of governance.

If the culture is correct, this can dominate everything else that affects our ability to achieve as the principles of good governance are an inevitable part of the day-to-day conduct of each individual within the establishment. The Ffordd Gwynedd Strategy notes that one of the Council's main aims is to place the people of Gwynedd at the heart of everything we do. In reality, this also describes the Council's values - namely anything that is in keeping with that objective.

The six-day training programme for Service Managers on the principles of Ffordd Gwynedd (including robust performance management principles) was introduced in the summer of 2017. The vast majority of Service Managers, as well as some other officers with a lead role to support and promote the culture, have already received training, whilst there is a specific plan in place to ensure that this training will be available continually for new managers in the future. This intensive training has not led to results thus far, but early indications are heartening with encouragement for managers and their teams to undertake reviews within their own services. Intensive reviews receive the support of two consultants who focus on this work.

Current Risk Score:

Impact	Likelihood	Risk score
4	3	12

Conduct

Risk: Lack of integrity, ethics and respect in the conduct of members and officers, undermining the public's confidence in the Council

Assessment:

Appropriate behaviour is essential in order to ensure that the County's residents have confidence in those who make decisions on their behalf, and that they do so in a manner whereby they can be confident in them.

The Council has adopted codes of conduct for its members and officers, based on national regulations (codes such as the Member/Officer Relationship Code, Members' Code of Conduct, Officers' Code of Conduct, Anti-fraud and Anti-corruption Policy and the Whistle-blowing Code of Practice) and these together set the foundation to ensure integrity and ethics. There is evidence of action when it appears that these codes of conduct have been breached.

In the past, some evidence existed of tension between members as the new Cabinet arrangements were implemented within the Council and the change of roles linked to this, and there is no evidence to suggest that those tensions have completely disappeared. Nevertheless, there are signs that the tensions have started to diminish. Tensions are inevitable and are to be expected when there are any significant changes.

There is clear evidence that the Council gives valid consideration to the Ombudsman's reports as part of the work of the Standards Committee, which works effectively.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Lawfulness

Risk: Ignoring the rule of law, which means that the Council is open to challenges from the courts

Assessment:

Everything the Council does has to be in compliance with the law.

Statutory Officers (the Monitoring Officer and the Head of Finance) have to offer comments on any formal decision, as part of a comprehensive constitution that is regularly reviewed. There are formal protocols in place in order to safeguard the rights of statutory officers.

Current Risk Score:

Impact	Likelihood	Risk score
3	1	3

Being open

Risk: A Council that is not open, meaning that it is not possible to hold it accountable for its decisions

Assessment:

Being open is essential for accountability and a healthy democracy.

Whilst there is a law that allows reports to be considered exempt for publication, only the minimum of Committee reports are exempt, and in addition to publishing the minutes of full committees, publicity is given to the decision sheets of individual members, with procedures to ensure that this occurs. Background papers are published with committee reports in order to ensure that the decisions are made with full information. A number of committee meetings that make decisions are web-broadcast.

The Cabinet regularly considers performance reports as part of its meetings that are open and the Council publishes its Corporate Plan, Annual Performance Report and the Statement of Accounts to seek to give as much information as the residents need for us to be accountable.

Various other methods are also used such as the website, 'Newyddion Gwynedd' and social media to try to ensure that Gwynedd residents are aware of what is happening within the Council.

Current Risk Score:

Impact	Likelihood	Risk score
2	1	2

Stakeholders

Risk: Weak relationship with institutional stakeholders, ending with sub-optimal services

Assessment:

The willingness of public sector bodies, including Gwynedd Council, other neighbouring unitary councils, the Police, the Health Board, the third sector and others to collaborate in order to deliver public services jointly may have a substantial and visible effect on the people of Gwynedd.

Work is currently proceeding to respond to the requirements of the Well-being of Future Generations (Wales) Act 2015 that facilitates such a principle. Amongst these requirements is the statutory need to establish a Public Services Board, which includes local authorities and several other bodies. Work has been undertaken to conduct an assessment of well-being; this is part of the initial work of the Public Services Board and has been published. It is now a Draft Plan published by the Board and has been consulted upon.

The Board's Plan is consistent with the Council's Plan.

The Council is committed to the Public Services Board, introduced as a result of the Well-being of Future Generations Act, as a means of maintaining a constructive relationship with other public sector stakeholders. The Partnerships Criteria has been established for several years so that Gwynedd Council only goes into partnership when this is for the benefit of the people of Gwynedd.

Collaboration also occurs at a regional level which is not always as effective as it could be due to the footprint size and the difficulty of building a relationship with such a large amount of people. There are some examples of success (e.g. Ambition Board) and one of the Council's responses to the recent White Paper was that collaboration should be sought according to the benefit that would stem from it rather than dogmatically adhering to one model. It was also noted that there was a need to ensure that collaboration does not hinder local accountability for services.

Collaboration also occurs at a county level with varied success.

There is work to review the system within Care; this includes close collaboration with Health and others, and the indications are promising. Work has been undertaken to identify plans to be commissioned for the future.

Current Risk Score:

Impact	Likelihood	Risk score
3	4	12

Engagement

Risk: Failure to engage with service users and individual citizens, leading to not doing things correctly

Assessment:

Clear engagement with the People of Gwynedd to establish clear lines of communication, and to get a true understanding of their needs, is one of the principal elements of governance arrangements.

During 2015/16 the Gwynedd Challenge, a plan to discuss the financial position with Gwynedd residents; demonstrated that significant progress had been made in our Engagement arrangements.

The Gwynedd Challenge exercise was successful and attracted a response from over 2,000 Gwynedd residents, this enabled the Council to take logical decisions in terms of future priorities in light of the views of the people we serve. Whilst there is a need to ensure that this good practice permeates amongst all Council departments, the score now reflects the improvement seen in this area bearing the Gwynedd Challenge in mind and the work done specifically in the area of waste.

The purpose of the Council's Engagement Strategy is to ensure that the Council receives the views of the public and other stakeholders as appropriate, with the Communication and Engagement Unit supporting services to consult using a suitable method and to give support in analysing the results.

Furthermore, the Research and Information Team supports services to make better use of the information we have, in order to increase inclusivity. Guidelines issued in response to the Well-being of Future Generations Act require us to consider smaller units than the Council's footprint and the County has been split into eight well-being areas. The residents of those areas were consulted when drafting the well-being assessment. The well-being areas were used as a basis for early discussion on the Council's Plan in October 2017, and it is also possible to analyse the data of consultations based on these areas.

It was possible to achieve all the elements of the Engagement Strategy and a review will be conducted in 2018 on the Engagement Handbook in order to ensure that it complies with the new performance management arrangements. New arrangements have also been established to specifically engage with the young people of Gwynedd as a result of the work on the Youth Service review.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Direction and vision

Risk: Direction and vision that is not rooted in the outcomes for individuals and therefore does not realise the needs of the People of Gwynedd

Assessment:

The Council's Plan 2018-23 was approved by the Full Council of Gwynedd on 8 March 2018. The new Plan this time includes our Well-being Statement, seven Improvement Priorities and every departmental plan. A great effort was made to ensure that it is clear and easy to read and understand.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Sustainability

Risk: A risk of creating unsustainable answers that do not comply with the five principles of the Well-being of Future Generations Act and do not therefore look at the long term

Assessment:

The Council has acknowledged the importance of acting in accordance with the Well-being of Future Generations Act and, jointly with its partners on the Public Services Board, has done initial work to identify what needs to be done to operate in accordance with the five principles - Long term, Prevention, Integration, Collaboration and Involvement.

The Council is already complying with all the principles but to a different extent. We have submitted an explanation of the principles of the Act to the Management Group who have agreed that the best way for this to root is for the Departmental Management Teams to pay attention to the principles in forward planning. It is recognised that the success, or not, of this method will need to be assessed. Reports that come before the Cabinet are forwarded beforehand to the Corporate Support Department to be reviewed to keep an eye out for areas where perhaps those principles have not been followed as well as they could have been. Through this it is hoped that we will root the principles naturally rather than ticking boxes, but time will tell if we are successful. The principles mean that every group of society will be included and the Council already has appropriate arrangements to ensure that we improve our provisions for those with protected characteristics.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Decisions

Risk: Unwillingness to make decisions on action, which means a delay to achieve the outcomes for the people of Gwynedd

Assessment:

There is a danger that decisions will not be made as they are too difficult or unpopular, but over the last few years there is evidence that this is not the case in Gwynedd with decisions taken to look at the area of schools, externalising Council houses and acting on the difficult results of the Gwynedd Challenge.

Current Risk Score:

Impact	Likelihood	Risk score
2	3	6

Planning Operations

Risk: Intervention without sufficient planning, that could mean either acting on impulse or excessive planning wasting time and resources

Assessment:

The Council strives to maintain a suitable balance between Project Management procedures and working efficiently. In this respect, the Council is already supporting robust project management arrangements for the largest projects, using the 'less' comprehensive version but based on the same principles for other projects. In order to ensure that the right matters are measured the achievement measures for every service will be based on achieving the purpose by trying to ensure that any action will improve our ability to deliver this.

We will try to strike a balance between the need for order and the need to deliver as soon as possible by doing as little paperwork as is consistent with this, encouraging simple, brief reports that set out the main key points.

The Council has a Medium Term Financial Strategy, with annual budgets based on this. The Council's work on financial planning is regularly praised by the external auditors, and the Audit and Governance Committee takes a leading role with financial scrutiny. When reviewing our scrutiny arrangements we will include more forward scrutiny and it is hoped that this will assist the Cabinet to choose the appropriate measures to take in various areas.

However, if we wish to do this we have already recognised that getting the Scrutiny Committee to look at something immediately before it is adopted is not the way, but rather for Scrutiny members to be part of the assessment at the very start. This means that matters need to be known early on in the process and Scrutiny used early enough. Time will tell if the new arrangements will achieve this.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Reviewing Outcomes

Risk: Failure to review the outcomes of our actions, which means that we do not learn lessons by continuing to do the same things incorrectly

Assessment:

The Council's arrangements for risk assessment, formulating a Corporate Plan and project management will ensure that the intended outcomes to be achieved are clear at the start of any project. The annual performance report will try to focus on assessing to what extent these outcomes have been achieved. There are good examples of where this has occurred and the situation is improving.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Property Assets

Risk: The Council's property assets not used to their full potential

Assessment:

Physical assets, be they buildings, vehicles or structures, are essential to deliver for the people of Gwynedd but it is necessary to ensure that those assets meet the requirements of our residents whilst ensuring that we do not spend unnecessarily on assets where the cost of provision is higher than the benefit received.

The Council has an Assets Strategy in place for the period 2009-2018 that is regularly updated. The result is that a number of buildings that were not required any more have been disposed of. A new Assets Strategy is being prepared for 2019-2028.

In terms of vehicles, a plan has been implemented to try and make better use of the Council's fleet that has already presented some financial savings and is likely to achieve more.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Information Technology Assets

Risk: The Council's Information Technology assets not used to their full potential

Assessment:

Using technology in an effective way is a crucial tool to ensure that services are provided in a manner that meets with the requirements of our residents, doing this in a cost effective way.

Over the years, Information Technology activities have focused on ensuring appropriate infrastructure to guarantee basic support for services. Whilst there are examples where we can use information technology more extensively to improve how we deliver services for the residents of Gwynedd, there is no evidence that this is consistent across the authority and that it is happening at the speed we would wish.

The Information Technology Strategy adopted for the coming period will try to extend the use made of technology in order to support the improvement aims in the Strategic Plan, by also improving the ability of services to take advantage of the opportunities available to use technology effectively.

There is an element of evidence that this is bearing fruit with self-service increasingly becoming part of using technology to make it easier for residents to get services.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Planning the Workforce

Risk: Council's workforce not being developed; this means that we cannot provide the best services for the people of Gwynedd

Assessment:

To ensure that the Council is in a position to provide services that always place the residents of Gwynedd at the centre, we must ensure that we have the right staff in place with the correct skills. This means that we need to continuously train staff, evaluate their performance and foster and develop their talents. Staff training arrangements are an important way of promoting and dissipating the mind-set of Ffordd Gwynedd across the Council, and of course it is vitally important that the Council has officers with the skills to carry out their posts.

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 to develop internal talent within the People Plan. Furthermore, there are recruiting difficulties for some posts in specific geographical areas within Gwynedd (e.g. care workers in Meirionnydd).

A 360° evaluation system has been established for heads of departments, senior managers and some managers; however, it needs to continue to be developed. If we wish to disseminate one culture of placing the people of Gwynedd at the heart of everything we do, we need a method of ensuring that this occurs consistently across the Council and it is essential that we give the appropriate tools to managers and staff to be able to do this.

The People Plan for 2016-18 was adopted by the Cabinet in November 2016; this will seek to improve our arrangements to foster talent within the Council, improve our workforce planning arrangements, and ensure that our learning and development arrangements focus on the essential matters.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Leadership

Risk: Deficiencies in the Council's leadership means that we are not doing the right things

Assessment:

Leadership sets the expected standard that every Member and Council employee should follow. Therefore, its impact is great – good Leadership can overcome everything else, whilst poor Leadership can destroy what the Council is trying to achieve. It is this that facilitates embedding the Council's culture.

The roles of the Council, Cabinet, Individual Members and the Chief Officers, together with a clear delegation plan are set out in the Council's Constitution. Gwynedd Council has also prioritised the development of its Leadership Programme and this is part of the People Plan adopted by the Cabinet.

Whilst there is a clear commitment to try and continuously improve leadership, we have not always been clear regarding what this entails nor how to improve it. There is concern that we do not sufficiently differentiate between staff and Members when we think of this.

There is an element of evidence (via self-assessment) that leadership within the Council is improving with many examples of transformational leadership shown rather than transactional leadership. The increasing emphasis placed on "leading" rather than "managing" within the Ffordd Gwynedd culture is another strong indication of the strides made by Cabinet members in taking a leading role to promote good leadership by committing to their development as leaders. Furthermore, the definition of leadership within Gwynedd Council was agreed upon and is reflected in amended job descriptions for every manager within the Council. It is premature, however, to be able to state that these positive steps have come to fruition thus far, and we need to allow time for these leadership behaviours to take root.

Current Risk Score:

Impact	Likelihood	Risk score
4	3	12

Risk Management

Risk: Weaknesses in our risk management arrangements that increase the threat of something going wrong or failure to take an opportunity to improve

Assessment:

Recent work to develop one Corporate Risk Register for the whole authority, and to do this in parallel with a system where business units record obstacles and go about trying to resolve those immediately, has started to show success.

Our risk management arrangements are an integral part of the authority’s management arrangements. Robust, correct and balanced risk management arrangements support innovation and do not inhibit it. A key part of the work completed during 2017/18 was that the Governance Group and the Insurance and Risk Unit ensured each risk in the Corporate Risk Register had been considered from the perspective of the risk to the People of Gwynedd, not from the Council's inward looking viewpoint.

Nevertheless, the danger continues that a procedure is being followed, and the permeation of risk management amongst individual business units continues to be a little inconsistent. Therefore, there is work that still needs to be done to ensure that all Council departments maintain the system of recording their main risks and review them regularly.

There are robust arrangements to monitor our compliance with some specific types of operational risks, such as Health and Safety, Safeguarding Children and Adults and Emergency Planning and Service Continuity. There is quantitative evidence that performance in these areas is improving – although there are examples of places to improve further.

System tests indicate that not all the workforce is aware of the risks that could prevent delivery for the People of Gwynedd and take ownership of them – risk management tends to be seen as a matter for Managers. Substantial work has already been done in this area, to prepare the authority better for unforeseeable events.

Council risk management arrangements continue to develop and they will evolve further as Ffordd Gwynedd and the culture permeate throughout the Council.

Current Risk Score:

Impact	Likelihood	Risk score
5	2	10

Performance

Risk: Weaknesses in our performance management arrangements mean that we cannot take appropriate steps to achieve our purpose

Assessment:

In the past, the perception was that the effectiveness of Performance Management was inconsistent across the Council. By now, officers and Members continually question if we are measuring the right things. Regular meetings take place with Cabinet Members and managers to assess the latest performance, with members of the relevant Scrutiny Committee also present to challenge. Regular performance reports are submitted by Cabinet members on their fields of responsibility to Cabinet meetings.

The Council's Performance Management system has evolved considerably over the last few years. More than anything we now focus on ensuring that business units achieve their purpose and this is done by continuously reviewing if we are measuring the right things. A Performance Handbook has been developed; it is not prescriptive, but sets out the general principles to be followed.

The General Auditor will also observe our performance in different areas by publishing various reports and the Audit and Governance Committee is responsible for ensuring that any recommendations receive attention. Whilst reports include 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 terms of the effort required to be given to them, and the level of risk they represent. However, these examples are not numerous; there were no recommendations in the most recent report and in general the messages are positive.

Complaints are also a key way of getting information for improvement. The new Corporate Complaints Procedure continues to develop well. The Services Improvement Officer ensures that we learn lessons from any complaints, and try to avoid repeating mistakes.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Internal Control

Risk: Unsuitable internal control arrangements which means that we either do not protect ourselves from risks, or waste resources on over-control

Assessment:

Getting suitable levels of internal control is core to the aim of placing the people of Gwynedd at the heart of everything we do. That is, do the tasks undertaken by staff actually add value, or are they bureaucratic actions that are done without much thinking about their real purpose?

Getting rid of barriers is part of everyone's work, leading to a suitable level of internal control. On the other hand, the principles of public stewardship mean that it is not desirable to dispose of all internal controls (i.e. there are some risks that are not acceptable), and therefore a combination of risk management procedures and an Internal Audit service that meets with professional standards is a vital tool.

The efficiency of the Internal Audit system is under continuous review and self-assessment indicates that the service satisfies professional standards in accordance with expectation; however, there is a need to continue to consider whether it is reviewing the correct matters, and if it operates in a manner that is in keeping with Ffordd Gwynedd.

Gwynedd Council's Audit and Governance Committee has been established since 1999, and it has an agreed terms of reference.

There is evidence that the Audit and Governance Committee is very effective in delivering its functions. However, there may be a tendency here and there for the Committee to try and duplicate the work of others (e.g. scrutiny committees), rather than keeping an overview of the arrangements.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Information

Risk: Failure to control information leading to the failure of safeguarding the information we hold, or not to make the best use of it

Assessment:

Having the correct information is essential if the Council wishes to provide the right services to the right people in the correct way. The information collected and retained needs to be current and relevant, not only in order to comply with the Data Protection Act but also to ensure that the services we provide do the right things. Good Information Governance is the foundation to good decisions.

Despite efforts to improve the arrangements of Information Governance, the Council continues to retain a great deal of information, and we need to continue to work to ensure that it does not maintain more data than is required.

It is expected that the project to introduce an EDRMS system will contribute to a significant improvement in this, and the Governance Arrangements Assessment Group has also commissioned further work on the arrangements within individual departments.

Whilst there are examples where information is used to make effective decisions, there is room to challenge if the practice is as good as it can be and as wide across all the Council's service units.

Research has shown that there is a continuous need to raise awareness about the principles of Data Protection and improving attitudes in the field. This work continues.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Finance

Risk: Weaknesses when controlling public finance which mean that the Council's finance is not used on its priorities

Assessment:

It is the Financial Strategy that sets the key context for everything the Council wishes to do. The financial forecast for the Council suggests that substantial savings must be identified in the next few years. It is the Financial Strategy that sets out how we will achieve this and, therefore, it is a critical statement that outlines how the Council will deal with the situation.

Clear evidence exists that the Council's arrangements are strong, and the reviews by external auditors - not only of the Annual Statement of Accounts but also reviews of financial resilience - offer an independent opinion that confirms this.

Current Risk Score:

Impact	Likelihood	Risk score
3	1	3

Accountability

Risk: Poor reporting, without transparency and unsuitable for the audience, does not highlight to the public what the Council does for them, undermining the democratic position

Assessment:

The Council has provided guidelines on preparing reports and on making good decisions, in order to ensure that the reports available to the public are clear. As well as formal reports for making decisions, the reports produced also include the Annual Performance Report, the Council's Plan (that includes departmental business plans) and the Annual Governance Statement produced in accordance with the CIPFA/Solace framework. The Council also produces regular reports on its financial position.

However, despite the Council's efforts, and apart from cases where there is a fairly fundamental change in question, it appears that there is no great aspiration amongst the public to hold the Council accountable. This may be because they are satisfied with what the Council is doing or that it is not their priority.

Even with the Gwynedd Challenge consultation where we prioritised (and considered ending) some fairly key services only 2,000 residents responded out of an 18+ population of nearly 100,000.

Monitoring of Cabinet reports will naturally continue with the Chief Executive taking a look at each one.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Assurance

Risk: Lack of assurance and accountability that raises suspicion amongst the public regarding what the Council is doing

Assessment:

There are many ways available within the Council in order to provide independent assurance that the Council's governance arrangements are working as they should. Statutory officers ensure that matters comply with the law and the arrangements of the Constitution, whilst the Chief Executive and the Directors continually challenge if the departments are doing the right things. Cabinet members also meet often to challenge each other regarding developments.

The Audit and Governance Committee keeps an overview of the governance arrangements as well as the implementation of the external auditor's recommendations.

Supporting this is the Internal Audit Service that operates in accordance with the statutory professional standards, namely the Public Sector Internal Audit Standards.

However, formally it is the scrutiny procedure that should continue to hold the Cabinet to account. There is transparent and objective scrutiny and challenging of decisions and policies; however, there is uncertainty regarding how effective this is. This has received attention in the Scrutiny Review commissioned by the Audit Committee in 2016/17, but at its meeting on 3 March 2017 the Council resolved contrary to the Audit Committee's decision to adopt a different procedure in the future.

The new procedure was implemented following the May 2017 elections. It is premature now to reach a conclusion regarding the success of the new arrangements; however, it is proposed to undertake an evaluation of effectiveness of these arrangements, with the focus on assessing the value the new scrutiny arrangements have added.

Current Risk Score:

Impact	Likelihood	Risk score
2	3	6

We have been advised on the implications of the result of **the review of the effectiveness of the governance framework** by the Audit and Governance 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 ongoing action plans and are outlined below.

Part 4: SIGNIFICANT GOVERNANCE ISSUES

- 4.1 The above scores indicate that it is not considered that any of the 22 areas of governance present a very high risk. However, there are 3 high risks and 10 medium risks.
- 4.2 Actions for the areas that are a high or medium priority are noted below. Where a specific project within the Council’s Plan has been noted as a response, progress is reported regularly to the Cabinet in the Performance Report of the relevant Cabinet Member.

HIGH RISKS

Governance Field	Response Arrangements	Department Responsible
The Council’s Culture	<p>We will continue to hold intensive reviews with a number of services to ensure that they place the people of Gwynedd at the centre of their work as well as continuing to hold training for managers and others. We will resurrect the Managers' College, where there will be an emphasis on supporting embedding the culture and its regular implementation across the Council. This will include supporting managers to ensure an awareness and full understanding of the principles and implementation of Ffordd Gwynedd amongst the members of each team.</p>	Corporate Support
Stakeholders	<p>By now, the Public Services Board has considered its Well-being Plan and the Council has played a leading role in the development of that Plan for Gwynedd and Anglesey. It is Council staff who provide the administrative support. The relationship between the various agencies has matured over the last few months and there is a sense of an 'Anglesey and Gwynedd Team' developing.</p> <p>We will continue to try and ensure that the Public Services Board adds value for the residents of Gwynedd and try to simplify the relationship of that body with various other regional bodies being established.</p> <p>It is fair to say that the relationship with the Part 9 Board is not as good, and Council officers and members have been trying to make sense of the confusing joint working environment that has developed. During the year the intention will be to try and further simplify this environment in order to ensure a smooth operation.</p> <p>Our relationship with the Third Sector continues to evolve and we try to ensure that we use that relationship to maximise the benefit that may derive from this for the people of Gwynedd. This journey continues with the relevant departments continuing to develop the relationship.</p>	Leadership Team and Legal

Governance Field	Response Arrangements	Department Responsible
Leadership	There is a project on Developing Leadership within the Council's Plan and the purpose of this project is to arm and sharpen leaders' skills across the Council in order to reach this aim. This will be achieved via a development programme that focuses on the behaviours of leaders and on the full understanding of the implementation principles that are part of establishing and maintaining the new culture. The project will continue to focus on this programme.	Corporate Support

MEDIUM RISKS

Governance Field	Response Arrangements	Department Responsible
Engagement	Continue to strengthen the Engagement arrangements including reviewing internal arrangements, strengthening the central engagement resource and support. This work will include a definition of what is meant by 'engagement' in the context of the Ffordd Gwynedd culture. Ensure that the Gwynedd Council brand appears prominently on services and schemes funded by the Council. The Group looking at engagement arrangements for young people during 2018 will specifically look at the needs of looked-after-children.	Corporate Support
Direction and vision	It is proposed to review the Council Plan 2018-23 during Summer 2018 in order to deliver any improvements or inevitable changes in the financial climate in March 2019.	Corporate Support
Sustainability	We reviewed the original set of well-being objectives adopted for the Council in its Council Plan for 2017/18 as part of the process of creating the Council Plan for 2018-23. The new set of adopted well-being objectives reflect the main messages that were highlighted by the review. The Council's day-to-day work and the improvement priorities will both contribute to the aforementioned well-being objectives. When carrying out our work, we will seek to ensure that we act in accordance with the five sustainable development principles adopted nationally and a record of this will be expected in reports to the Cabinet. We will also review and then promote the impact of the Act on our day-to-day work. The Governance Group will conduct an assessment during the year in order to come to a conclusion regarding the best way to embed principles of the well-being of future generations across the Council.	Corporate Support
Decisions	The control measures that are in place have brought the risk down to an acceptable level.	Leadership Team and Legal
Reviewing Outcomes	The risk is accepted at its present level.	Leadership Team and Legal

Governance Field	Response Arrangements	Department Responsible
Information Technology Assets	<p>Operate in accordance with the work programme included in the Information Technology Strategy. This includes:</p> <ul style="list-style-type: none"> • Extending the use of self-service in order that the people of Gwynedd can access a service at a time that is convenient for them. • Ensure that we use the power of Information Technology to improve what we do for the people of Gwynedd. • Electronic document and records management system (EDRMS) 	Finance
Planning the Workforce	<p>The Project Group has officer representation from front-line and central services and was established to lead on this important work. The priority focus during next year is the recruitment and retention of staff in the care field which will include setting up a register of key posts where there is a danger of not being able to ensure service continuation. Furthermore, the People Plan will be reviewed during 2018/19 to reflect the next measures to be taken to ensure workforce planning and the continuation of a service of the highest level in the future.</p>	Corporate Support
Risk Management	<p>Work in 2018/19 will build upon what has been achieved in previous years. This work will include maintaining a relationship between the Insurance and Risk Service and all departments that support and challenge the contents of the Corporate Risk Register in order to ensure that it is a fair reflection of the Council's main risks. The procedure of considering the contents of risk registers when monitoring the performance of departments will develop further.</p>	Finance
Information	<p>Based on the work undertaken under the Council Plan 2013-18, Council Departments are developing their use of information for everyday work and forward planning. There is also better information available about the Council on the website. A great deal of preparatory work has been done for the requirements of the new data protection legislation including creating data asset registers and improving our safeguarding arrangements as well as training staff and members. This is the focus of the work that will continue to receive attention during 2018/19.</p>	Corporate Support

Governance Field	Response Arrangements	Department Responsible
Assurance	A review of the effectiveness of new scrutiny arrangements will take place during 2018/19.	Corporate Support

Part 5: OPINION

We intend to take measures to deal with the above matters during next year in order to improve our governance arrangements. We are satisfied that these measures will deal with the need to improve as identified in the effectiveness review, and we will monitor their operation as part of the next annual review.



DILWYN O. WILLIAMS
CHIEF EXECUTIVE, GWYNEDD COUNCIL

DATE 15-08-18



Clr. DYFRIG SIENCYN
LEADER, GWYNEDD COUNCIL

DATE 21/08/18

The independent auditor's report of the Auditor General for Wales to the members of Gwynedd Council.

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Gwynedd Council for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

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

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

- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 7, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error. In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

Anthony Barrett
For and on behalf of the Auditor General for Wales
28 September 2018

24 Cathedral Road
Cardiff
CF11 9LJ



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Gwynedd Council**

Audit year: 2017-18

Date issued: September 2018

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

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

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

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

infoofficer@audit.wales.

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

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

The team who delivered the work comprised Ian Howse (Engagement Partner), Lauren Parsons (Engagement Manager) and Alex Watts (Team Leader).

Contents

The Auditor General intends to issue an **unqualified audit report** on your financial statements.

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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 2018 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 levels at which we judge such misstatements to be material for Gwynedd Council are £7,975,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of Gwynedd Council, for 2017-18, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2018 on 18 June 2018, and have now substantially completed the audit work and at the date of our presentation of this report the following were outstanding:
 - Finalisation post balance sheet events testing;
 - Reconciliation of Fixed Asset Register and Note 15 query;
 - Completeness of bad debt provision testing;
 - Finalisation of note 30 testing;
 - Clearance of review notes;
 - Finalisation of independent quality assurance review;
 - Review of second version of accounts; and
 - Receipt of letter of representation.
- 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 management.

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](#).

Audit outcomes

Uncorrected misstatements

10 We set out below the misstatement we identified in the financial statements, which has been discussed with management but remains uncorrected, and request that this is corrected. If you decide not to correct this misstatement, we ask that you provide us with the reasons for non-correction in the letter of representation.

- In 2017/18 a payment of £8.627m was made by the Council to Gwynedd Pension Fund to cover the fixed element of the employer contributions for the period 2017/18 to 2019/20. The Council accounted for this by including the full amount in expenditure and funded 2/3 of the amount (£5.640m) from the Earmarked Reserves (Liabilities related to the Pension Fund). After taking into account the balance on the Earmarked Reserve this has resulted in a negative reserve of £4.256m.

The £5.640m charged to the Earmarked Reserves should be funded from another reserve with sufficient funding, thus avoiding a negative reserve. As this is a classification error within the detail of the usable reserves (Note 10), management have chosen not to adjust the accounts for this misstatement.

Corrected misstatements

11 There is one misstatement that has been corrected by management, and we consider it should be drawn to your attention due to the relevance to your responsibilities over the financial reporting process. This is set out with an explanation in [Appendix 3](#).

Significant Risks

12 In our Financial Audit Plan, we set out information regarding the significant audit risks that were identified during our planning process. The table below sets out the outcome of our audit procedures in respect of those risks. We have conducted our audit in line with the Financial Audit Plan.

Potential risks assessed	Testing completed in Gwynedd Council
<p>Management override of controls</p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>The audit team has completed the following procedures:</p> <ul style="list-style-type: none">• tested the appropriateness of journal entries and other adjustments made in preparing the financial statements using enhanced data analytics to analyse the whole journal population for characteristics of audit interest;• performed testing on the design and implementation of controls over journal entries and management judgements and estimates;• reviewed accounting estimates for biases including a detailed review of provisions; and

	<ul style="list-style-type: none"> evaluated the rationale for any significant transactions outside the normal course of business. <p>No issues were identified.</p>
<p>Completeness and cut-off of expenditure</p> <p>We have identified completeness of expenditure as a significant risk as there may be an incentive not to record all expenditure in order for the Council to report a more favourable year end position.</p>	<p>The audit has completed the following procedures:</p> <ul style="list-style-type: none"> performed design and implementation testing over the controls in place to ensure completeness of expenditure; performed focussed audit testing in relation to the completeness and cut-off of expenditure; and completed detailed testing in relation to management estimates and judgements as set out in the management override risk detailed above. <p>We note that during the final audit fieldwork the risk in relation to completeness of expenditure was pinpointed to the year-end accruals and provisions balances, with the procedures completed above tailored accordingly.</p> <p>No issues were identified, although recommendations have been raised in relation to controls in this area.</p>
<p>Property Valuations</p> <p>The Council completes a cyclical full valuation process whereby classes of assets undergo a full valuation on a five-yearly basis, with the valuations being completed by internal valuers.</p> <p>Property valuations by their nature include judgements and estimates and with land and buildings valuations as at March 2017 being £288m, changes in judgements and estimates can have a material impact on the carrying value.</p>	<p>The audit team has completed the following procedures:</p> <ul style="list-style-type: none"> performed design and implementation testing in relation to the property valuation process including identification of impairments outside of the valuation process. engaged with internal valuation specialists to assess the reasonableness of assumptions underpinning the valuation; and traced all valuation movements through the financial statements to ensure they are fairly stated. <p>No issues were identified.</p>

Other significant issues arising from the audit

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

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- **We did not encounter any significant difficulties during the audit.**
- **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.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Recommendations arising from our 2017-18 financial audit work

- 14 The recommendations arising from our financial audit work are set out in [Appendix 4](#). Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

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

Appendix 1

Draft Letter of Representation

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

27 September 2018

Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements of Gwynedd Council for the year ended 31 March 2018 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting; in 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

Appendix 1 (continued)

- 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:

- £5.640m classification misstatement within Earmarked Reserves

Appendix 1 (continued)

Representations by those charged with governance

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 and Governance Committee on 27 September 2018.

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.

We will not be correcting the misstatement relating to the payment to the Pension Fund as this only affects the classification within the earmarked reserves and does not affect the total earmarked reserves.

Signed by:

Dafydd L Edwards
Head of Finance
Gwynedd Council

Date:

Signed by:

Councillor R. Medwyn Hughes
Audit and Governance Committee
Chairman
Gwynedd Council

Date:

Appendix 2

Proposed audit report of the Auditor General to Gwynedd Council

The independent auditor's report of the Auditor General for Wales to the members of Gwynedd Council.

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Gwynedd Council for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

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

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

Matters on which I report by exception

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

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 7, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Anthony Barrett
For and on behalf of the Auditor General for Wales
28 September 2018

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Audit Committee

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 its relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
£1,629,000	Note 17 – Financial Instruments We noted that the narrative beneath the financial liabilities table in note 17b of the financial statements stated that short term creditors included £937k that doesn't meet the definition of a financial liability. The creditors stated within this note of £54,007k gave a total of £54,994. However, per note 21 of the financial statements the total creditors were stated as £56,573k.	The total creditors balance within note 21 of the financial statements was correct and the balances included within note 17 did not reconcile to this with a difference of £1,629k.

Appendix 4

Recommendations arising from our 2017-18 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 – Controls Around Completeness of Accruals	
Findings	<p>Completeness of Accruals</p> <p>On an annual basis the Senior Finance Manager sends a document instructing staff that any invoices relating to 2017/18 are included in the purchasing unit by 4 April 2018, and after this date a creditor reserve is created for any work over £100 where the work has been received prior to 31 March 2018. A list of such instances are provided to the departmental accountants who subsequently raise an accrual within the financial system. A quarterly financial review takes place and as part of this departmental accountants are responsible for reviewing significant income/expenditure in their areas and providing explanations for such variances, this would allow the divisional accountants to identify any expenditure not posted.</p> <p>We note that this control does not ensure the completeness of expenditure, as the process described above is not directly followed up to ensure that appropriate accruals have been included within the financial statements for 2017/18.</p>
Recommendation	<p>It is recommended that the Council implements a control in relation to the completeness of accruals. This could involve a review of expenditure posted to the finance system after the period end, with this review documented within a working paper, along with commentary of which period expenditure relates, to ensure that expenditure has been accrued as appropriate. This working paper should then be reviewed by a second member of staff.</p>
Priority	Low
Benefit of Implementing Recommendation	<p>By implementing this recommendation, this provides the Council with assurance that all expenses incurred in the financial year have been reflected within the financial statements.</p>
Accepted in full by management	No

Appendix 4 (continued)

Management response	This task is undertaken as part of our closedown procedures. It is felt that our existing controls are adequate to manage the identified risk.
Implementation date	Will not be implemented.

Matter arising 2 – Confirmation of Provisions Balance	
Finding	Whilst the finance team consults service managers a specific discussion does not take place with the legal team as part of the year end processes, around the completeness and accuracy of the provisions balance at year end. A specific discussion with the legal team each year end would ensure that the provisions balance is agreed with the legal team prior to audit.
Recommendation	It is recommended that confirmation is obtained from the Legal Team at year end that the provisions note per the accounts is complete and accurate.
Priority	Low
Benefit of Implementing Recommendation	This control will help ensure that the provisions balance per the financial statements is accurate and complete, by identifying any probable obligations due by the Council that the finance team may not be aware of.
Accepted in full by management	Yes
Management response	Agreed
Implementation date	In advance of 2018/19 closure

Appendix 5

Recommendations arising from our 2016-17 and 2015-16 financial audit work

We set out all the recommendations arising from prior years audits with management's response to them. We have followed these up during the 2017-18 audit and have recorded the results below.

Matter arising 1 – Trust Funds	
2016-17 Findings	<p>We identified that a central record of bequests is maintained, which populates Note 40. These bequests are deducted from the Council's bank balance as they are not Council assets and are highly immaterial as the total recorded bequests for 2016-17 are £678k. We note that each individual bequest has its own ledger code so expenditure made against the code can be monitored to be in accordance with the bequestor's wishes. To determine the accuracy of these records we selected a sample of bequests and from a sample of two we could not be provided with the original bequest documentation for one of the bequests.</p> <p>Note, we have not performed detailed testing on the nature of the expenditure against the bequest as this is not an asset of the Council and therefore outside the scope of our testing.</p>
Recommendation	It is recommended that all bequest documentation is retained to ensure the bequest amount and restrictions have been recorded accurately.
Priority	Low
Benefit of Implementing Recommendation	If accurate records are not maintained in respect of bequest balances held, there is a risk that bequested funds may be incorrectly accounted for.
Accepted in full by management	Yes
Management response	Following Local Government Reorganisation in 1996, many of the original bequest documents have been archived. Most of the information is held on file in the Finance Department and currently the Legal Department is assisting in order to obtain information for the remaining few.
Implementation date	Ongoing and in advance of 2017/18 closure.
2017-18 findings	In relation to our testing of Trust Funds in 2017/18, we were unable to obtain any supporting evidence for both of the two balances selected for testing.

Appendix 5 (continued)

Status	Recommendation re-raised
Management response	With regards to historic documentation we are satisfied that all reasonable work has been undertaken, with no further progress possible. Our financial system records has a full record of the transactions for each fund. In moving forward we are confident that adequate controls are in place.

Matter arising 2 – IT findings	
2016-17 Findings	As part of our financial audit we engaged IT specialists to assist the audit team with testing the appropriateness of the Council's IT systems which have a direct impact on the production of the financial statements. The IT specialists identified a number of recommendations which have been communicated to management.
Recommendation	It is recommended that management work with the IT Manager to ensure these recommendations are implemented in a timely manner.
Priority	Low
Benefit of Implementing Recommendation	To improve the quality and robustness of the IT systems.
Accepted in full by management	Yes
Management response	Agreed
Implementation date	Two of the recommendations have already been implemented, with the third to be implemented in October 2017.
2017-18 findings	We note that progress has been made in this area, with three findings raised which relate to 2017/18.
Status	Recommendations raised in relation to 2017/18 findings
Management response	Agreed and some aspects already actioned.

Matter arising 3 – Estates	
2015-16 Findings	As part of our financial audit we engaged a valuation expert to assist the audit team with testing the appropriateness of the IAS 16 disclosure. The expert

Appendix 5 (continued)

	<p>valuer has raised a number of areas for improvement which largely relate to procedures and processes around the valuations performed by the Estates Manager in line with the instructions provided by finance. These recommendations have been communicated to management.</p>
Recommendation	<p>It is recommended that management work with the Estates Manager to ensure these recommendations are implemented in a timely manner.</p>
Priority	<p>Medium</p>
Benefit of Implementing Recommendation	<p>To improve the quality and robustness of valuation process.</p>
Accepted in full by management	<p>Yes</p>
Management response	<p>Agreed and some aspects already actioned.</p>
Implementation date	<p>Improvements have been implemented based on last year's recommendations. The Council will strive to continue to improve in this area within the resources available.</p>
2016-17 & 2017-18 findings	<p>Our experts identified that appropriate procedures are in place whereby the Council's Finance Team instructs their in-house estates team/valuer, to undertake the necessary valuations each year. The instructions cover reference to the five year rolling programme of valuations and the appropriate requirements to undertake revaluations of selected assets each year and prepare schedules of the specific asset categories that need to be valued. In terms of the valuations undertaken by the Council's internal valuer, our experts are satisfied that the correct RICS, IFRS, IAS and CIPFA guidance has been followed, and the correct valuation bases/methodology have been adopted. However, the experts have identified a number of areas for improvement which largely relate to procedures and processes around the valuations and the related report and summary schedule outputs.</p> <p>As part of our 2017/18 audit we have identified that further improvements have been made in this area, and given the progress that has been made in this area, we have deemed the significance of this finding low enough that we will not report on this matter in future years.</p>
Status	<p>Recommendation will not be re-raised.</p>
Management response	<p>Not applicable</p>

Appendix 5 (continued)

Matter arising 4 – Bad debt provision	
2016-17 findings	<p>We identified that the sundry debt provision is calculated by applying set percentages to all individual debtor balances below £10k and applying the percentages to all debtor balances above £10k, where appropriate, following a specific review.</p> <p>We note that the percentages applied to the sundry debtor balances were determined in 2002/03 and are as follows:</p> <p>2016/17 – 10% 2015/16 – 10% 2014/15 – 20% 2013/14 – 50% 2012/13 onwards -100%</p> <p>The methodology as to how these percentages have been determined could not be provided, however, management have confirmed that an annual assessment as to the reasonableness of the provision for debts less than £10k is undertaken.</p>
Recommendation	Revised recommendation: It is recommended that the percentages used to generate the sundry debts provision are formally reviewed on an annual basis and that an analysis of collection rates is used to inform the percentages determined.
Management response	Agreed.
2017-18 findings	<p>We identified that the methodology used to inform the provision has been reviewed and an updated working paper produced.</p> <p>We have made recommendations to management in terms of further improvements to the information produced in relation to the aging of debtors, however, given the progress made we are happy to close this recommendation.</p>
Status	Recommendation will not be re-raised.
Management response	Not applicable

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Agenda Item 6

MEETING

Audit and Governance Committee

DATE

27 September 2018

TITLE

Gwynedd Pension Fund's Final Accounts for the year ended 31 March 2018 and relevant Audit

PURPOSE

To submit –

- **Statement of Accounts post-Audit;**
- **Deloitte's 'ISA260' report;**
- **Letter of Representation (Appendix 1).**

RECOMMENDATION

To consider and approve the information before authorising the Chairman to certify the letter.

AUTHOR

Dafydd L Edwards, Head of Finance

1. ACCOUNTS FOR 2017/18

Members will recall that Gwynedd Pension Fund's Statement of Accounts for 2017/18 (pre-audit) was presented to the Audit and Governance Committee on 19 July 2018, when it was scrutinised accordingly.

2. AUDIT BY DELOITTE ON BEHALF OF THE AUDITOR GENERAL FOR WALES

It was noted in the July meeting that these accounts would be subject to audit by Deloitte, and the 'ISA 260' report is presented here by the Auditor General for Wales detailing Deloitte's main findings.

3. POST-AUDIT FINANCIAL STATEMENTS FOR 2017/18

The final version (post-audit) of the Statement of Accounts for 2017/18 is also presented here. The main amendments since the pre-audit version have been outlined in Appendix 3 to Deloitte's 'ISA260' report.

4. RECOMMENDATION

The Audit and Governance Committee is asked to consider and approve the –

- 'ISA260' report by Deloitte in respect of Gwynedd Pension Fund
- Statement of Accounts for 2017/18 (post-audit)

5. LETTER OF REPRESENTATION

The Chairman of the meeting, together with the Head of Finance, are asked to certify the Letter of Representation (Appendix 1 to Deloitte's report) after the Audit and Governance Committee has approved the above.

6. CERTIFICATION BY THE APPOINTED AUDITOR

After receiving the Letter of Representation duly certified by the Chairman and the Head of Finance, the Auditor General for Wales (Adrian Crompton) will issue the certificate on the accounts.

7. PENSION FUND ANNUAL GENERAL MEETING

Gwynedd Pension Fund's Statement of Accounts will also be presented formally to all employers at the Pension Fund's Annual General Meeting on 10 October 2018.

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NARRATIVE REPORT

Introduction

Gwynedd Pension Fund's accounts and notes for the year 2017/18 are presented here on pages 4 to 33.

The accounts consist of the Gwynedd Pension Fund Account and Balance Sheet.

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

The Pension Fund accounts, and accompanying notes, summarise the financial transactions and net assets related to the provision of pensions and other benefits payable to former employees of all the Fund's employers, including Anglesey, Conwy and Gwynedd Councils, Snowdonia National Park Authority, Police and Crime Commissioner for North Wales, Cartrefi Conwy, Cartrefi Cymunedol Gwynedd, various town and community councils, and other scheduled and admitted bodies.

During the year the Fund increased in value by £73.7 million.

The Statement of Accounts and further information is available on Gwynedd Pension Fund's website www.gwynedd-pensionfund.org.uk.

The Fund has two important statements which set out the strategies for ensuring pensions are funded now and in the future as follows:

- Funding Strategy Statement – the statement sets out the fund-specific strategy which will identify how employers pensions liabilities are best met going forward. It is reviewed every three years after the triennial actuarial valuation and includes individual employer rates for the following period.
- Investment Strategy Statement - the statement sets out the types of investments and broad limits on each type of investment.

Both these statements are available on the fund's website under the investments section.

An Actuarial Valuation is required every three years to establish the level of assets available to pay pensions now and in the future. The next valuation will be as at 31 March 2019 and any changes to employers contributions will be made from 1 April 2020 onwards.

Further information relating to the accounts is available from:

Caroline Roberts
Investment Manager
01286 679128

Finance Department
Gwynedd Council
Council Offices
Caernarfon
Gwynedd
LL55 1SH

It is part of the Fund's policy of providing full information relating to the Fund'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 only the Pension Fund website at the appropriate time.

GWYNEDD PENSION FUND

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE PENSION FUND'S RESPONSIBILITIES

Gwynedd Council as administrating authority (effectively the trustee) for Gwynedd Pension Fund 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 "Section 151 Officer" is the Head of Finance. It is also the administrating 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.

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance is responsible for the preparation of the Pension Fund 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.

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 Pension Fund at 31 March 2018 and the Pension Fund's income and expenditure for the year then ended.

27 September 2018

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

**GWYNEDD PENSION FUND ACCOUNTS
2017/18**

**THE FUND ACCOUNT FOR THE YEAR ENDED
31 MARCH 2018**

31 March 2017 £'000		Notes	31 March 2018 £'000
	Dealings with members, employers and others directly involved in the Fund		
67,695	Contributions	7	82,302
7	Interest on deferred contributions		
2	Income from divorce calculations		
0	Income from transfer value calculations		
5,893	Transfers in from other pension funds	8	4,360
73,597	Total contributions received		86,665
(53,982)	Benefits paid or payable	9	(53,911)
(3,970)	Payments to and on account of leavers	10	(2,306)
(57,952)	Total benefits paid		(56,217)
15,645			
(11,641)	Management Expenses	11	(13,367)
	Returns on Investments		
12,886	Investment income	14	15,155
(378)	Taxes on income	15	(252)
322,316	Profit and (loss) on disposal of investments and changes in the market value of investments	16	41,758
334,824	Returns on investments net of tax		56,661
338,828	Increase in the net assets available for benefits during the year		73,742
	Net assets of the Fund		
1,525,405	At 1 April		1,864,233
338,828	Increase in net assets		73,742
1,864,233			1,937,975

**NET ASSETS STATEMENT AS AT
31 MARCH 2018**

31 March 2017		Notes	31 March 2018
£'000			£'000
1,798,325	Investment assets	16	1,859,635
49,248	Cash deposits	16	44,352
1,847,573	Total Investment assets		1,903,987
(235)	Investment liabilities	16	(4,690)
20,984	Current assets	21	42,626
(4,089)	Current liabilities	22	(3,948)
1,864,233			1,937,975

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 summarises the transactions and net assets of the Fund. The liabilities of the Fund are taken into account in the periodic actuarial valuations of the Fund (most recently as at 31 March 2016) and are reflected in the levels of employers' contributions determined at the valuation, so that the Fund will be able to meet 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 (LGPS) 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 2017/18 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 I – 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
GWE	NWTRA
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 Kinnel Bay Town Council
Holyhead Town Council	Tywyn Town Council
Caernarfon Town Council	Conwy Town Council
Trefriw Community Council (joined 1 June 2017)	
Admission Bodies	
Adult Learning Wales (previously Coleg Harlech WEA)	North Wales Society for the Blind
CAIS	Conwy Voluntary Services
Conwy Citizens Advice	Careers Wales North West
Ynys Môn Citizens Advice	Mantell Gwynedd
Cwmni Cynnal	Medrwn Môn
Cwmni'r Fran Wen	Menter Môn
Holyhead Joint Burial Committee	
Community Admission Bodies	
Cartrefi Conwy	Cartrefi Cymunedol Gwynedd
Transfree Admission Bodies	
ABM Catering	Caterlink
Superclean I	Dawnus (joined 1 April 2017)

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 ended 31 March 2018. Employers also make contributions which are set based on triennial actuarial funding valuations. New employer contribution rates were applied for the three years from 1 April 2017 to 31 March 2020 following the actuarial valuation carried out as at 31 March 2016.

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 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 Fund's 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 of the Fund 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 into the Fund from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase 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 accruals 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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. In addition the Fund had negotiated with Fidelity International that an element of their fee would be performance-related. This arrangement was terminated on the 30 September 2016, and since then the fee has been based on the market value of the investments under their management.

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 profits 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) **Equities**
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) **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.
- 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.

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Fund 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

The fair value of private equity investments and infrastructure 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 2018 was £104 million (£110 million at 31 March 2017).

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 2018 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
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 £104 million. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6 – EVENTS AFTER THE REPORTING DATE

There are no significant events after the year end date to report.

NOTE 7 – CONTRIBUTIONS

By category

2016/17		2017/18
£'000		£'000
52,439	Employers	66,372
15,256	Employees/Members	15,930
67,695		82,302

By authority

2016/17		2017/18
£'000		£'000
23,210	Gwynedd Council	29,868
40,231	Other scheduled bodies	48,301
1,514	Admission bodies	1,674
2,215	Community admission bodies	1,957
252	Transferee admission bodies	206
219	Resolution bodies	242
54	Closed fund*	54
67,695		82,302

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

By contribution

2016/17		2017/18
£'000		£'000
15,256	Employees' normal contributions	15,930
46,570	Employers' normal contributions	47,186
5,869	Employers' deficit recovery contributions	19,186
67,695		82,302

NOTE 8 – TRANSFERS IN FROM OTHER PENSION FUNDS

2016/17		2017/18
£'000		£'000
1,315	Group transfers	0
4,578	Individual transfers	4,360
5,893		4,360

NOTE 9 - BENEFITS PAID

By category

2016/17		2017/18
£'000		£'000
41,081	Pensions	42,708
11,093	Commutation and lump sum retirement benefits	9,670
1,808	Lump sum death benefits	1,533
53,982		53,911

By authority

2016/17		2017/18
£'000		£'000
15,233	Gwynedd Council	15,454
25,701	Other scheduled bodies	26,173
1,561	Admission bodies	1,615
1,095	Community admission body	812
173	Transferee admission body	42
58	Resolution body	70
10,161	Closed fund	9,745
53,982		53,911

NOTE 10 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2016/17		2017/18
£'000		£'000
103	Refunds to members leaving service net of tax repayments	143
11	Payments for members joining state scheme	5
3,856	Individual transfers	2,158
3,970		2,306

NOTE 11 – MANAGEMENT EXPENSES

2016/17		2017/18
£'000		£'000
1,242	Administrative costs	1,261
10,343	Investment management expenses (Note 13)	12,046
56	Oversight and governance costs	60
11,641		13,367

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

2016/17		2017/18
£'000		£'000
	Administrative costs	
486	Direct employee costs	514
293	Other direct costs	264
303	Support services, including IT	357
33	External audit fees	34
128	Actuarial fees	92
1,243		1,261
	Oversight and governance costs	
55	Pensions Committee and Local Pension Board	60
1,298		1,321

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

2016/17		2017/18
£'000		£'000
10,258	Management fees	11,933
45	Custody fees	50
3	Performance monitoring service	8
37	Investment consultancy fees	55
10,343		12,046

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 £22,562 (2016/17 £322,972) 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. They are reflected in the cost of investment purchases and in the proceeds of sales of investments (see Note 16a).

NOTE 14 – INVESTMENT INCOME

2016/17		2017/18
£'000		£'000
6,832	Equity dividends	7,662
1,239	Private equity income	544
207	Infrastructure income	1,201
4,475	Pooled property investments	5,256
133	Interest on cash deposits	492
12,886		15,155

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 Pension Fund also has a Euro account to deal with receipts and payments in Euros and to minimise the number and costs of exchange transactions.

NOTE 15 – TAXES ON INCOME

2016/17		2017/18
£'000		£'000
378	Withholding tax – equities	252
378		252

NOTE 16 – INVESTMENTS

2016/17		2017/18
£'000		£'000
	Investment assets	
236,625	Fixed interest absolute return	292,050
345,284	Equities	337,188
963,262	Pooled equity investments	961,611
142,448	Pooled property investments	159,044
82,023	Private equity	76,137
28,053	Infrastructure	28,173
1,797,695		1,854,203
49,248	Cash deposits	44,352
630	Amount receivable from sales of investments	5,431
1,847,573	Total investment assets	1,903,986
	Investment liabilities	
(235)	Amounts payable for purchases	(4,690)
(235)	Total investment liabilities	(4,690)
1,847,338	Net investment assets	1,899,296

Note 16a – Reconciliation of movements in investments and derivatives

2017/18	Market value at 1 April 2017	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2018
	£'000	£'000	£'000	£'000	£'000
Fixed interest absolute return securities	236,625	134,950	(79,950)	425	292,050
Equities	345,284	79,717	(89,912)	2,099	337,188
Pooled investments	963,262	4,840	(22,637)	16,146	961,611
Pooled property investments	142,448	13,488	(5,802)	8,910	159,044
Private equity / infrastructure	110,076	15,913	(27,847)	6,168	104,310
	1,797,695	248,908	(226,148)	33,748	1,854,203
Cash deposits	49,248			188	44,352
Amount receivable from sales of investments	630				5,431
Amounts payable for purchases of investments	(235)				(4,690)
Fees within pooled vehicles				7,822	
Net investment assets	1,847,338	248,908	(226,148)	41,758	1,899,296

2016/17	Market value at 1 April 2016	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2017
	£'000	£'000	£'000	£'000	£'000
Fixed interest absolute return securities	198,845	30,000	0	7,780	236,625
Equities	269,784	73,681	(76,100)	77,919	345,284
Pooled investments	746,944	15,347	(13,492)	214,463	963,262
Pooled property investments	157,734	18,373	(31,465)	(2,194)	142,448
Private equity / infrastructure	81,540	29,118	(18,212)	17,630	110,076
	1,454,847	166,519	(139,269)	315,598	1,797,695
Cash deposits	42,631			(387)	49,248
Amount receivable for sales of investments	383			(4)	630
Amounts payable for purchases of investments	(64)			(1)	(235)
Fees within pooled vehicles				7,110	
Net investment assets	1,497,797	166,519	(139,269)	322,316	1,847,338

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 £103,937 (2016/17 £171,393). 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 2017 £'000		31 March 2018 £'000
	Equities	
37,453	UK quoted	35,413
307,832	Overseas Quoted	301,775
	Pooled funds	
236,625	Fixed Income Unit Trust	292,050
301,034	UK Unit trusts quoted	305,111
306,567	Overseas Unit trusts	319,205
355,661	Global Unit trusts (including UK)	337,295
142,447	Pooled property unit trusts	159,044
82,023	Private equity	76,137
28,053	Infrastructure	28,173
1,797,695		1,854,203

Investments analysed by fund manager

Market Value at 31 March 2017			Market Value at 31 March 2018		
£'000	%		£'000	%	
601,837	32.6	BlackRock	618,768	32.6	
399,686	21.6	Fidelity	384,762	20.3	
236,632	12.8	Insight	292,052	15.4	
39,599	2.1	Lothbury	50,372	2.6	
110,076	6.0	Partners Group	104,310	5.5	
16,476	0.9	Threadneedle	18,149	1.0	
48,112	2.6	UBS	48,604	2.5	
394,920	21.4	Veritas	382,279	20.1	
1,847,338	100.0		1,899,296	100.0	

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

Market value 31 March 2017	% of total Fund	Security	Market value 31 March 2018	% of total Fund
£'000			£'000	
355,661	19.08	Fidelity Institutional Select Global Equity	337,295	17.40
301,033	16.15	Aquila Life UK Equity Index Fund	305,110	15.74
236,625	12.69	Insight Umbrella Holdings	0	0
0	0	Insight LDI Solutions Plus Bonds	292,050	15.07
129,078	6.92	Aquila Life Global Dev Fundamental Fund	129,689	6.69

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 by category and net assets statement heading. No financial assets were reclassified during the accounting period.

As at 31 March 2017			As at 31 March 2018		
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		
345,284			337,188		
1,199,887			1,253,661		
142,448			159,044		
82,023			76,137		
28,053			28,173		
	64,623			79,923	
	0			1,468	
	6,188			11,019	
1,764,695	70,811	0	1,854,203	92,410	0
			Financial liabilities		
		(4,273)			(8,638)
		(4,273)			(8,638)
1,764,695	70,811	(4,273)	1,854,203	92,410	(8,638)

Note 17b – Net gains and losses on financial instruments

31 March 2017		31 March 2018
Fair value		Fair value
£'000		£'000
Financial assets		
315,598	Fair value through profit and loss	33,748
(392)	Loans and receivables	188
315,206	Total financial assets	33,936
Financial liabilities		
0	Fair value through profit and loss	0
0	Financial liabilities at cost	0
0	Total financial liabilities	0
315,206	Net financial assets	33,936

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 2017			31 March 2018	
Carrying value	Fair value		Carrying value	Fair value
£'000	£'000		£'000	£'000
		Financial assets		
1,120,845	1,797,695	Fair value through profit and loss	1,210,252	1,854,203
70,815	70,811	Loans and receivables	92,372	92,410
1,191,660	1,868,506	Total financial assets	1,302,624	1,946,613
		Financial liabilities		
(235)	(235)	Fair value through profit and loss	(4,675)	(4,690)
(4,038)	(4,038)	Financial liabilities at cost	(3,948)	(3,948)
(4,273)	(4,273)	Total financial liabilities	(8,623)	(8,638)
1,187,387	1,864,233	Net financial assets	1,294,001	1,937,975

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	Total
Values at 31 March 2018	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at fair value through profit and loss	332,498	1,318,419	203,286	1,854,203
Loans and receivables	92,409	0	0	92,409
Total financial assets	424,907	1,318,419	203,286	1,946,612
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(4,689)	0	(4,689)
Financial liabilities at cost	(3,948)	0	0	(3,948)
Total financial liabilities	(3,948)	(4,689)	0	(8,637)
Net financial assets	420,959	1,313,730	203,286	1,937,975

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2017	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at fair value through profit and loss	345,285	1,302,735	149,675	1,797,695
Loans and receivables	70,811	0	0	70,811
Total financial assets	416,096	1,302,735	149,675	1,868,506
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(235)	0	(235)
Financial liabilities at cost	(4,038)	0	0	(4,038)
Total financial liabilities	(4,038)	(235)	0	(4,273)
Net financial assets	412,058	1,302,500	149,675	1,864,233

The figures at 31 March 2017 have been changed to match the method used at 31 March 2018

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 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 is 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 advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2017/18 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 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 2017	31 March 2018
	%	%
UK Equities	15.8	16.8
Global Equities	18.4	17.9
Private Equity	28.5	28.3
Absolute Return Bonds	2.9	2.8
Alternatives (Infrastructure)	11.3	20.1
Property	14.2	14.3
Cash	0.0	0.0
Whole Fund	12.8	12.6

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 2018	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
UK Equities	340,524	16.8	397,732	283,316
Global Equities	958,275	17.9	1,129,806	786,744
Private Equity	76,137	28.3	97,684	54,590
Absolute Return Bonds	292,050	2.8	300,227	283,873
Alternatives (Infrastructure)	28,173	20.1	33,837	22,511
Property	159,044	14.3	181,787	136,300
Cash	44,352	0.0	44,352	44,352
Total assets available to pay benefits	1,898,555	12.6*	2,137,773	1,659,337

* The whole fund values in the table above are based on 12.6% rather than the total of the individual asset types.

Asset type	Value as at 31 March 2017	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
UK Equities	338,486	15.8	391,966	285,005
Global Equities	970,060	18.4	1,148,552	791,569
Private Equity	82,023	28.5	105,399	58,646
Absolute Return Bonds	236,625	2.9	243,487	229,763
Alternatives (Infrastructure)	28,053	11.3	31,223	24,883
Property	142,448	14.2	162,676	122,220
Cash	49,248	0.0	49,248	49,248
Total assets available to pay benefits	1,846,943	12.8*	2,083,352	1,610,534

* The whole fund values in the table above are based on 12.8% rather than the total of the individual asset types.

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.

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

The Fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2017	As at 31 March 2018
	£'000	£'000
Cash and cash equivalents	15,375	37,038
Cash balances	49,248	44,352
Fixed interest securities	236,625	292,050
Total	301,248	373,440

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 2018	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	37,038	370	(370)
Cash balances	44,352	444	(444)
Fixed interest securities*	292,050	2,658	(2,658)
Total change in assets available	373,440	3,472	(3,472)

* 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 2017	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	15,375	154	(154)
Cash balances	49,248	492	(492)
Fixed interest securities*	236,625	(1,538)	1,538
Total change in assets available	301,248	(892)	892

* 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 0.43%, amounting to interest of £127,666 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.

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

The Fund has made commitments to private equity and infrastructure in foreign currency, (€214 million and \$88.6 million). These commitments are being drawn down on request from the investment manager over a number of 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 2018 and as at the previous year end:

Currency exposure - asset type	As at	As at
	31 March 2017	31 March 2018
	£'000	£'000
Overseas and Global Equities	970,060	958,275
Global Fixed Income	236,625	292,050
Overseas Alternatives (Private Equity and infrastructure)	110,076	104,310
Overseas Property	3,636	1,808
Overseas Currency	0	1,468
Total overseas assets	1,320,397	1,357,911

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment 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 10% fluctuation in the currency is considered reasonable based on the Fund investment advisors' analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period to 31 March 2018. The equivalent rate for the year ended 31 March 2017 was 10%. This analysis assumes that all other variables, in particular interest rates, remain constant.

The tables below show a breakdown of the Fund's exposure to individual currencies as at March 31, 2018 and at the end of the previous financial year:

Currency exposure - by asset type	Carrying amount as at 31 March 2018	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas and Global Equities	958,275	1,054,103	862,448
Global Fixed Income	292,050	321,255	262,845
Overseas Alternatives (Private Equity and infrastructure)	104,310	114,741	93,879
Overseas Property	1,808	1,989	1,628
Overseas Currency	1,468	0	0
Total change in assets available	1,357,911	1,492,088	1,220,800

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

Currency exposure - by asset type	Carrying amount as at 31 March 2017 £'000	Change in year in the net assets available to pay benefits	
		Value on increase £'000	Value on decrease £'000
Overseas and Global Equities	970,060	1,067,066	873,054
Global Fixed Income	236,625	260,288	212,963
Overseas Alternatives (Private Equity and infrastructure)	110,076	121,084	99,068
Overseas Property	3,636	4,000	3,273
Overseas Currency	0	0	0
Total change in assets available	1,320,397	1,452,438	1,188,358

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.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. 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%
Veritas	19.0%
Insight	15.0%
Property (UBS, Threadneedle, Lothbury, BlackRock)	10.0%
Partners Group	7.5%

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. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

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 2018 was £37.1m (£15.7m at 31 March 2017).

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.

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

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 reduce 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 two 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 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 to pay pensions and other costs and to meet investment commitments.

The Administering Authority has a cash flow 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 would be 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 2018 the value of illiquid assets was £202m, which represented 10.5% of the total Fund assets (31 March 2017: £198m, which represented 10.6% 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 2018 are due within one year as was the case at 31 March 2017.

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 2016.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (Funding Strategy Statement) reviewed as part of the 2016 valuation.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- to ensure that employer contribution rates are reasonably stable where appropriate.
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return.
- to reflect the different characteristics of different employers in determining contribution rates by having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years.
- 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.

The Funding Strategy Statement 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 to return their portion of the Fund to full funding over 20 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 Funding Strategy Statement, there is still around a 66% chance that the Fund will return to full funding over the 20 years.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £1,525 million, were sufficient to meet 91% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £145 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measured as per the Funding Strategy Statement. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its Funding Strategy Statement.

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 2017.

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.

NOTE 19 – FUNDING ARRANGEMENTS (continued)

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	3.9%
Salary increase	2.1%
Benefit increase	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Mortality assumption	Male Years	Female Years
Current pensioners	22.0	24.2
Future pensioners (aged 45 at the 2016 valuation)	24.0	26.4

Copies of the 2016 valuation report and the Funding Strategy Statement are available on the Pension Fund's website www.gwynedd-pensionfund.org.uk

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities. The effect of this has been broadly offset by strong asset returns. Both events have roughly cancelled each other out in terms of the impact on the funding position as at 31 March 2018.

The next actuarial valuation will be carried out as at 31 March 2019. 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 FRS102 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 2018 and 2017 are shown below:

	31 March 2017	31 March 2018
	£m	£m
Active members	1,214	1,378
Salary increase rate	246	385
Discount rate	514	718
Total	1,974	2,481

As noted above the liabilities above are calculated on an IAS19 basis and therefore differ from the results of the 2016 triennial funding valuation (see Note 19) because IAS19 stipulates a discount rate rather than a rate that reflects market rates.

NOTE 20 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS (continued)

Assumptions used

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

Assumption	31 March 2017	31 March 2018
	%	%
Inflation/pension increase rate	2.4	2.4
Salary increase rate	2.4	2.4
Discount rate	2.6	2.7

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.

The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2018	Approximate % increase to liabilities	Approximate monetary amount
	%	£m
0.5% p.a. increase in the pension increase rate	8	208
0.5% p.a. increase in the salary increase rate	2	52
0.5% p.a. decrease in the discount rate	11	278

The principal demographic assumption is the longevity assumption. For sensitivity purpose the actuary estimates that a one year increase in life expectancy would increase the liabilities by approximately 3 – 5%.

NOTE 21 – CURRENT ASSETS

2016/17		2017/18
£'000		£'000
820	Contributions due - employees	842
2,845	Contributions due – employers	2,508
1,944	Sundry debtors	2,238
5,609	Total debtors	5,588
15,375	Cash	37,038
20,984	Total	42,626

Analysis of debtors

2016/17		2017/18
£'000		£'000
2,352	Gwynedd Council	2,111
560	Central government bodies	713
1,209	Other local authorities	1,074
3	NHS bodies	7
1,485	Other entities and individuals	1,683
5,609	Total	5,588

NOTE 22 – CURRENT LIABILITIES

2016/17		2017/18
£'000		£'000
2,591	Sundry creditors	2,370
282	Transfer value payable (leavers)	0
1,216	Benefits payable	1,578
4,089	Total	3,948

Analysis of creditors

2016/17		2017/18
£'000		£'000
1,051	Gwynedd Council	1,317
37	Central government bodies	70
138	Other Local Authorities	69
58	NHS bodies	0
2,805	Other entities and individuals	2,492
4,089	Total	3,948

NOTE 23 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

The market value of the funds is stated below:

	Market value at 31 March 2017	Market value at 31 March 2018
	£'000	£'000
Clerical Medical	3,349	3,506
Equitable Life	229	226
Standard Life	53	70
Total	3,631	3,802

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

	2016/2017	2017/2018
	£'000	£'000
Clerical Medical	561	591
Equitable Life	0	0
Standard Life	0	13
Total	561	604

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 £1,056,813 (£1,008,589 in 2016/17) 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 £23.79m to the Fund in 2017/18 (£17.63m in 2016/17). At the end of the year the Council owed £2.11m to the Fund (see Note 21) which was primarily in respect of contributions for

NOTE 24 - RELATED PARTY TRANSACTIONS (continued)

March 2018 and the Fund owed £1.32m 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 2017/18, the Fund received interest of £127,666 (£132,567 in 2016/17) from Gwynedd Council.

Governance

There were three members of the Pensions Committee who were in receipt of pension benefits from the Gwynedd Pension Fund during 2017/18 (committee members J.B. Hughes, P. Jenkins and the late T.O. Edwards). In addition, committee members S.W. Churchman, D. Cowans, S. Glyn, J.B. Hughes, A.W. Jones, H.E. Jones, W.T. Owen, and P. Read were active members of the Pension Fund.

Two members of the Pension Board were in receipt of pension benefits from the Gwynedd Pension Fund during 2017/18 (Board member H.E. Jones and S. Warnes). In addition, Board members A.W. Deakin, A.L Lloyd Evans, O. Richards and H. Trainor 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 2017	Commitment at 31 March 2018
	€'000	€'000	€'000
P.G. Direct 2006	20,000	776	776
P.G. Global Value 2006	50,000	3,477	3,477
P.G. Secondary 2008	15,000	1,960	1,960
P.G. Global Value 2011	15,000	3,372	2,712
P.G. Global Infrastructure 2012	40,000	15,894	12,133
P.G. Direct 2012	12,000	1,181	1,181
P.G. Global Value 2014	12,000	4,638	4,109
P.G Direct 2016	50,000	34,373	29,374
Total Euros	214,000	65,671	55,722
	\$'000	\$'000	\$'000
P.G. Emerging Markets 2011	7,000	1,623	1,225
P.G Secondary 2015	38,000	32,723	29,150
P.G Direct Infrastructure 2015	43,600	35,219	30,896
Total Dollars	88,600	69,565	61,271

'PG' above refers to Partners Group, the investment manager which 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

Two 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 £3,938,407, equating to 98% from the administrators up to 31 March 2018.

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.gwyneddpensionfund.org.uk on the investment page or by contacting Mrs Caroline Roberts on 01286 679128.

Agenda Item 7

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	27 SEPTEMBER 2018
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 14 SEPTEMBER 2018
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE ACTIONS THAT HAVE ALREADY BEEN AGREED WITH THE RELEVANT SERVICES

1. INTRODUCTION

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 1 April 2018 to 14 September 2018.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following work was completed in the period to 14 September 2018:

Description	Number
Reports on Audits from the Operational Plan	14

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 31 March 2018, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Safeguarding Arrangements – Domestic Abuse	Corporate	-	Limited	Appendix 1
School Uniform Grant	Education	Resources	High	Appendix 2
Pupil Development Grant	Education	Resources	Satisfactory	Appendix 3
Education Improvement Grant for School	Education	Resources	High	Appendix 4
School Admissions	Education	Resources	High	Appendix 5
Council Tax Debt Suspension and Write-Off	Finance	Revenue	High	Appendix 6
Business Rates – Valuation List	Finance	Revenue	High	Appendix 7
Arfon Leisure Centre	Economy and Community	Leisure	Satisfactory	Appendix 8
Income Collection – Maritime and Country Parks	Economy and Community	Maritime and Country Parks	Satisfactory	Appendix 9
Home Care – Travelling Costs	Adults, Health and Wellbeing	Community Care	Satisfactory	Appendix 10
Plas y Don	Adults, Health and Wellbeing	Residential and Day	Satisfactory	Appendix 11
Plas Hedd	Adults, Health and Wellbeing	Residential and Day	Satisfactory	Appendix 12
Hafod Mawddach	Adults, Health and Wellbeing	Residential and Day	Satisfactory	Appendix 13

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Cefn Rodyn	Adults, Health and Wellbeing	Residential and Day	Satisfactory	Appendix 14

2.2.2 The general assurance levels of audits fall into one of four categories as shown in the table below.

LEVEL OF ASSURANCE	HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
	SATISFACTORY	Controls are in place to achieve their objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.
	LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduces new controls to reduce the risks to which the service is exposed.
	NO ASSURANCE	Controls in place are considered to be inadequate, with objectives failing to be achieved.

3. FOLLOW-UP WORK

3.1 New arrangements have been established for follow-up audits. In 2017/18, a total of 163 actions were agreed to be undertaken before 31 March 2019. Following a request made to the Units/Services for information and evidence on progress agreed actions, as at 14 September 2018, there was acceptable implementation on **38.65%** of the agreed actions, i.e. 63 out of 163.

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 April 2018 to 14 September 2018, comment on the contents in accordance with members' wishes, and support the actions agreed with the relevant service managers.

**SAFEGUARDING ARRANGEMENTS – DOMESTIC ABUSE
CORPORATE**

1. Background

1.1 The Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 has been in force since 2015. In accordance with Section 15 of the Act, Statutory Guidelines was published by the Welsh Government in March 2016, namely a national training framework that makes it mandatory for all relevant authority staff (including county councils) to complete awareness training. According to the Statutory Guidelines:

- 50% of relevant authority staff must complete the training within 12 months of the publication date of the statutory guidance
- 100% of relevant authority staff must complete the training within 24 months of the publication date of the guidance (i.e. by March 2018).

2. Purpose and Scope of the Audit

2.1 The purpose of the audit was to ensure that appropriate arrangements are in place in order to comply with the national training framework on violence against women, domestic abuse and sexual violence. In order to achieve this, the audit encompassed ensuring that all staff members have completed awareness raising training within the timetable.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduce new controls to reduce the risks to which the service is exposed.

4. Current Score Risk

4.1 The audit has found that some risks require further attention:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	2
MEDIUM	1
LOW	0

5. Main Findings

- 5.1 In order to meet the training requirements, a national 'Domestic Abuse' e-learning module has been developed, and all office workers can complete it at their desk. In addition, a paper version is available for those who do not have access to a computer. At the end of July 2018, Corporate Support statistics indicated that just over 1,500 employees had completed the training out of a workforce of over 7,000, which shows that the Council has not met the targets. It therefore seems that barriers exist that prevent officers from undertaking the training.
- 5.1.1 An office worker can complete the training quite easily, as the module is available on their computer. The only barriers that prevent officers from carrying out the training are lack of motivation, lack of awareness of the need to complete it, and a lack of time, as the training can take up to an hour.
- 5.1.2 The Council is responsible for ensuring that the targets are met, and is therefore responsible for ensuring that appropriate processes are in place to enable officers to complete them. This is done through the Safeguarding Operational Panel, which meets on a timely basis to discuss Safeguarding issues, such as Domestic Abuse, which includes representatives from each department. The Panel has to rely on the departments to ensure implementation on Safeguarding issues, including the statutory training requirements, but this message either does not reach everyone, isn't strong enough, or the structures are not in place for them to enable implementation.
- 5.1.3 Although it is possible to produce a report that lists the names (and department) of those who have completed the training, it is not possible to produce a report that lists who has not. It is of course possible to interpret this from the original report, but it is a time consuming task. Timely reports like this, targeted to the relevant managers would certainly increase the number of workers that complete the training. In addition, a corporate message, such as by email or / and on the intranet would increase the numbers, whether by formal order, or by encouragement utilising nudge theory (a method of influencing without enforcing).
- 5.1.3 There appears to be many more barriers to those workers who are employed by Gwynedd Council but do not work in an office (such as Teachers, Community Carers, Road Workers etc.), from completing the training. As they do not have a Gwynedd Council email address, it is not possible to send them a generic email to encourage them to carry out the training so they are dependent on guidance from their managers. Following discussions with relevant managers (such as residential care home managers) it was expressed that it was difficult to set aside time, because it would require them to be removed from their front line work.
- 5.1.4 Although the purpose of this exercise is to complete the training, its overall success derives from how well the training's content is and if officers are now aware of the signs of domestic abuse, the actions they should take and the help available. The Council's statistics cannot deduce this.
- 5.1.5 Domestic Abuse is one of a series of Safeguarding training which Council employees are expected to complete. Other training includes 'Modern Slavery', 'Counter Terrorism' and 'County Lines' for example. Although the Council does not have a statutory requirement to ensure that everyone completes these, procedures that facilitate employees to complete training lead to stronger general Safeguarding arrangements.

6. **Actions**

The Safeguarding Operational Panel Chairman has committed to implement the following to mitigate the risks highlighted.

- Safeguarding Operational Panel to incorporate the report's findings into a work programme.

SCHOOL UNIFORM GRANT EDUCATION

1. Background

- 1.1 The 'Funding Award in relation to the 2017-18 Welsh Government School Uniform Grant Scheme' letter expressed that it is the responsibility of the Council to 'submit three-yearly audit reports as outlined in the letter on 24 November 2008'. On 09/07/2017 an email was received from Paul Davies of the Welsh Government stating that the grant will cease after 2017/18 and that it was necessary to 'provide the required documentation [*The Audit Certificate*] to me in hardcopy by no later than 30 September 2018'.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that the grant claim was consistent with the Government's conditions and that they were properly implemented. A sample of grant payments made was selected and it was verified that the parents/guardians were eligible for the payments. It was also ensured that the claim forms were completed correctly and submitted in accordance with the payments profile.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

- 4.1 It was found that the offer letter for 2017/18 had been signed by the appropriate officers and was completed promptly to be returned within the timetable. It was also found that the claim forms were completed promptly in accordance with the requirements of the Welsh Government.
- 4.2 The benefits system was checked and each individual from the selected sample was found to be eligible for the school uniform grant. Pupils from the sample were found to be of the right age and attended schools in Gwynedd. A letter was sent to each individual from the selected sample to inform them of their eligibility for the grant.
- 4.3 The Hb6601a report generated by the Benefits Service, the financial ledger and the claim forms were checked. It was found that 175 payments of £105.00 were made from the AC15 6081 code. One of these was refund to the same account as a result of a non-banked cheque by one person for more than 6 months. This meant that there were 174 payments to parents/guardians made over the financial year 17/18.
- 4.4 The value of 169 payments was claimed by the Welsh Government in 2017/18 as the Council had already received 4 payments as a result of over claims (2014/15, 2015/16 and 2016/17) giving a total value of 173 payments that the Council received of funding to allocate. It was therefore seen that the Council had under claimed 1 payment of £105.00 for 2017/18. The Senior Accountant stated that this £105.00 could not be claimed in 2018/19 as the grant has expired.

**PUPIL DEVELOPMENT GRANT
EDUCATION**

1. Background

- 1.1 The purpose of the Pupil Development Grant (previously known as the Pupil Deprivation Grant) is to improve outcomes for students who are eligible for free school meals and looked after children. It is intended to overcome the additional barriers that prevent learners from disadvantaged backgrounds from fulfilling their full potential.
- 1.2 The grant is delegated to the Schools / early years providers, excluding the 'Looked after Children' element, and is managed regionally by the Local Education Consortium, GwE. GwE is also responsible for ensuring that schools meet the requirements of the grant and support them to that end. Gwynedd Council is the Lead Authority on behalf of the North Wales Authorities.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to confirm the correctness of the Audit Certificate, a statement of the Authority's expenditure for the 2017/18 grant, and confirmation that internal systems and controls were in place to ensure that the grant was used for the appropriate purposes.
- 2.2 This was done by selecting a sample of Gwynedd Council and GwE payments in the form of invoices, journals and salaries in relation to the different elements of the grant, ensuring they were reasonable and consistent with the objectives of the grant. In addition, the audit ensured that the grant was directly delegated to the schools and that there were appropriate arrangements for monitoring the grant and claiming the funding from the Welsh Government.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

- 4.1 The audit has found that some risks require further attention:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	1
LOW	0

5. Main Findings

- 5.1 It was found that there were appropriate arrangements in place for the administration of the Pupil Development Grant. Expenditure on the Audit Certificate was reconciled with the financial ledger and a sample of costs was trailed back to its sources. The expenditure examined was found to be reasonable and consistent with the objectives of the grant. In addition, there were appropriate arrangements for claiming the funding in accordance with the terms and conditions of the grant and it was found that the appropriate amount of funding had been allocated to the Authorities and delegated directly to Gwynedd schools.
- 5.1.1 It is expected that all providers publish their grant allocation online, or if they do not have a website, send a copy of their 'Spending Plan' to GwE. Only seven school spending plans were visible on the GwE website for 2017-18. The figures in the plans reconciled with the actual grant in five cases out of the seven. Three other schools were randomly selected to see if the GDD grant allocation was visible on their websites, but this was only seen in one case.
- 5.1.2 Eight school development plans were reviewed randomly, and it was found that the GDD element was included in seven plans within the sample, while the actual figure reconciled in five cases.
- 5.1.3 The GwE Advisers have undertaken monitoring visits to schools during the year and received evidence of their expenditure. Although the schools are not required to publish their allocations for the 2018-19 grant, GwE is eager to ensure compliance by publishing 2017-18 details before the end of September 2018.

6. Actions

GwE has committed to implement the following steps to mitigate the risks highlighted.

- **GwE administrative team to publish every school's Pupil Development Grant spending plan, unless it is already published on the school's own website.**

**EDUCATION IMPROVEMENT GRANT FOR SCHOOLS
EDUCATION**

1. Background

1.1 On 1 April 2015, the Welsh Government merged the following grants to create one main grant, called the Education Improvement Grant (EIG):

- Foundation Phase
- 14-19 Learning Pathways
- School Effectiveness Grant (SEG)
- Welsh in Education Grant (WEG)
- Minority Ethnic Achievement Grant
- Education of Gypsy and Traveller Children
- Induction of Newly Qualified Teachers
- Higher Level Teaching Assistants
- Lead and Emerging Schools
- Support for Reading and Numeracy Tests
- Funding for Band 4 & 5 Schools

1.2 The grant's fundamental principle is that the vast majority should be used for frontline provision, with the grant's terms and conditions for 2017-18 noting that it was expected that a minimum of the total gross funding of 80% should be delegated directly to schools. Gwynedd Council is the host Authority for the EIG and GwE is responsible for ensuring that the schools achieve the requirements of the EIG and for supporting the schools to that end.

2. Purpose and Scope of Audit

2.1 Ensure that there are appropriate internal controls for administering the 2017-18 Education Improvement Grant, to mitigate risks in accordance with the terms and conditions of the grant. Confirm that there is a basis for the figures submitted on Gwynedd Council and GwE expenditure statements in relation to the grant and trace the figures to the ledger to confirm their accuracy and propriety.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

4.1 It was seen that there is a sound basis for the figures recorded on the Gwynedd Council and GwE expenditure statements in relation to the grant and a sample of the figures were traced back to the Council's ledger and were found to be correct.

SCHOOLS ADMISSIONS EDUCATION

1. Background

- 1.1 All applications for entry to Gwynedd schools are accepted and processed by the School Information and Access Officer, with places granted based on the criteria confirmed in the Gwynedd School Admissions Policy.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that suitable arrangements were in place for the receipt and processing of applications for places in the Nursery and Reception classes of Gwynedd schools. In order to achieve this, the audit covered checking a sample of applications to various schools to ensure that places were granted in accordance with the criteria as detailed in the Gwynedd School Admissions Policy.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

- 4.1 A sample of 5 primary schools (Dolbadarn, Y Gelli, Glancegin, Y Faenol and Y Garnedd) were selected, then the application forms for 2018/19 were randomly selected and checked in order to ensure that places were granted in accordance with the criteria. Each school has an access number, which is the number of children that could be admitted based on the size of the school, with the Gwynedd School Admissions Policy confirming that no application can be refused until the entry number has been reached. From the sample, it was only Ysgol y Gelli that received more applications than places available. All application forms for places were checked in the reception class 2018/19. It was found that there were suitable arrangements in place for processing the applications, with the correct applications rejected in accordance with the prescribed criteria.

COUNCIL TAX SUSPENSION AND WRITE-OFF FINANCE

1. Background

- 1.1 Approximately, £67million of revenue was collected during 2017/18 with a collection rate of 97.13% for bills set in the 2017/18 financial year. It is estimated that around £77million of income is to be collected for 2018/19.
- 1.2 The service can choose to suspend recovery arrangements for any given property, account, specific notices and / or accounts either under enforcement arrangements, temporarily or indefinitely on the council tax system. Suspensions mean that balances will be prevented from being recovered for a variety of reasons, such as time to respond to taxpayer's enquiries and grievances, taxpayer cannot be located, taxpayer's death etc. Out of the reports produced on 25/07/2018, it was reported that there were in total 4000 of suppressions on the system with balances owing (6244 of suspensions were without any balances on the system).
- 1.3 Where it is not possible to recover Council tax debts, there is an option for the Service to write off any debts by submitting a request to the Senior Manager Revenue and Risk and the Head of Finance, and in consultation with the Finance Cabinet Member for requests over a specified threshold. During 2018 approximately £155.5k of debts were written off.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit is to ensure that appropriate procedures are in place to provide assurance on the implementation of council tax suppressions and write offs of debts. To achieve this, the audit covered the review of the guidelines and procedures in place, including reviewing the arrangements to provide assurance on the internal controls and testing of these controls by checking a sample of suppressions and write offs incurred in 2018/19.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation risks were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	An appropriate assurance can be given as the internal controls can be relied upon to achieve objectives.

4. Main Findings

- 4.1 Strong internal controls are in place for implementing suspensions and write offs of council tax debts. A random sample of 80 suppressed accounts were selected and a sample of 12 write offs for 2018/19 in order to ensure that suppression and write off of council tax debts had been carried out in an appropriate manner.
- 4.1.1 It was found that there are two main types of suppressions used on the system, 'Diary Dates' and 'Circumstance Codes', and different codes exist within these types, which give the user the details/reasoning for the suppressions. It was found that there were appropriate arrangements for the operation and administration of these suppressions.

It was discovered that when there is the need to, the service allows suppressions to be set up to the end of the current financial year. Once the date expires, the recovery process continues. Reports from the 'Diary Dates' are run on a monthly basis and reviewed by the Taxation Manager. General working arrangements for each 'Circumstance Codes' ensure that the accounts are reviewed.

- 4.1.2 From the sample of suppressions checked, all appear to be valid, with reason / evidence on the file to support them and evidence that further action occurred after the expiry date.
- 4.1.3 An audit trail was found to be in place for identifying suppressions placed on the system.
- 4.1.4 The debt write-off procedure was reviewed and it was found that the arrangements complied with the Council's financial regulations. For a sample of debts written off in 2018, it was found that there was appropriate documented evidence and that the transactions had been properly implemented at all times.
- 4.1.5 The Revenue Systems Manager stated that provision to allow written off debts to be restored was allowed in cases where the taxpayer was able to be located.
- 4.1.6 Although 'Circumstance Codes' reports recognise that a high number of accounts have been suspended, a high percentage of these have been found to have no balance (i.e. zero balance) that distorts the true statistics. The issue was discussed with the Revenue Systems Manager who will consider disregarding these accounts from future reports.

**BUSINESS RATES – VALUATION LIST
FINANCE**

1. Background

1.1 Business rates are taxes that are charged to most commercial and non-residential buildings like shops, offices etc. The tax is based on the rateable value of the property at a given date, determined by the Valuation Office and then multiplied by the national multiplier set by the Welsh Government. The Council is responsible for collecting the tax on behalf of the Welsh Government.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that appropriate arrangements were in place to ensure the accuracy and completeness of the pricing list maintained. In order to achieve this, the audit included the reconciliation of data within the Business Rates system with the Valuation Office reports.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

4.1 A sample of recent Valuation Office reports were reviewed and the information reconciled with the details on the Council's Business Rates system, Academy. A random sample of the reports of individual businesses were checked and it was found that the information reconciled with Academy. The totals of the rateable values and the number of hereditaments were reconciled and seen to be appropriate, with an explanation of any differences. The multiplier for 2018-19, which is 0.514, is appropriately programmed within the system.

**ARFON LEISURE CENTRE
ECONOMY AND COMMUNITY**

1. Background

1.1 Gwynedd Council Leisure Centres are part of the Healthy Communities service which is within the Economy and Community Department. There are four Area Managers who are responsible for managing the Centres under the Authority's control. The Arfon Leisure Centre provides a number of services for the public, including a swimming pool, a weights room and fitness classes.

2. Purpose and Scope of Audit

- 2.1 Ensure that robust arrangements have been established in the leisure centres, in order to properly manage and mitigate risks, and to ensure compliance with the Council's internal procedures and other relevant laws.
- 2.2 The audit involved visiting a sample of four Leisure Centres in Gwynedd for audit to ensure that appropriate arrangements were in place for managing various risks that might exist in the areas of income collection, budgetary control, procurement and storage of goods and health and safety. During the audit, the Arfon Leisure Centre was visited unannounced.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

4.1 The audit has found that some risks require further attention:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	3
LOW	0

5. Main Findings

5.1 Strong internal controls have been found to exist at the Arfon Leisure Centre, but some aspects need to be tightened, the areas that need attention are detailed below:

5.1.1 The centre has two vending machines that sell drinks. All staff are responsible for completing stock checks and recording the stock in and out of the store. The stock records were received and a sample was selected for checking but did not match what was in the store, it was clear that they had received stock that had not been recorded.

Later during the visit, the stock records were re-checked and found to be completely different records, further questions were asked and it became apparent that there were two files for stock records used in conjunction but with different records. The centre has now removed one of the files so that they have only one record.

- 5.1.2 The centre also sells goods in the reception such as 'goggles' and 'noodles'. There were no stock records for these at the time of the visit but new records were later received and it was confirmed that checks would take place on the first Wednesday of each month.
- 5.1.3 A monthly bad debtors' report is received from the Income Unit, it has been found that some clubs/individuals have had debt with the centre for several years. These appear to have not been reviewed by the centre at the time so that the validity of the debts can be reported to the Income Unit to recover the debts efficiently. Following the audit, the Area Manager agreed to review the bad debtors report with the Caernarfon and Bangor Area Administrator.
- 5.1.4 Weekly checks of the weight room had not been completed for several weeks. The Duty Manager explained that checks on the weight room are included in the 'Zone 2' checklist on the Legend System that is completed on a daily basis. However, it did not appear that these checks have been carried out recently either. As this check is included on two lists, the weekly list is to be deleted from the Legend System so that work is not duplicated.
- 5.1.5 The arrangements in place for safeguarding keys was found to be inadequate.
- 5.1.6 The centre's staff e-learning module training records were checked and it was found that only a small number had completed the safeguarding modules. It was explained that the intention is to get the employees to complete the safeguarding modules as well as data protection modules and GDPR in the coming weeks.

6. Actions

The relevant officers have committed to implementing the following steps to mitigate the risks highlighted.

- **Complete checks on the weight room equipment and record them in the 'Zone 2' checklist on the Legend System.**
- **After receiving the spare key back, put an arrangement in place, where the two full-time Duty Managers retain the keys and ensure access to the additional key in the centre is restricted to only the necessary officers.**
- **Ensure that all staff complete the e-learning modules.**

INCOME COLLECTION – MARITIME AND COUNTRY PARKS ECONOMY AND COMMUNITY

1. Background

- 1.1 There are a number of beaches along the Gwynedd coast and several have received the Blue Flag award, which recognizes their high standards of environmental, educational, security and access requirements. Income such as parking and the launching of maritime vessels are collected on 8 of these beaches as well as harbours and country parks managed by the Maritime and Country Parks service

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that suitable arrangements were in place in the Council's beaches, harbors and parks to manage the risks involved in income collection and banking. In order to achieve this, the audit covered selecting of a sample of beaches, harbors and parks for unannounced visits to ensure that they complied with the main principles that relate to the collection of Council income.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were checked. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects where the arrangements can be tightened to further mitigate the risks.

4. Current Risks

- 4.1 The audit has found that some risks require further attention:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	1
LOW	1

5. Main Findings

- 5.1 Due to the increasing use of pay and display machines (collected by an external company), and card-paying machines, very little cash income is now collected. The Abersoch, Machroes, Morfa Bychan beaches and Porthmadog Harbour were visited during the inspection as cash was collected here mainly for registering and launching vessels and parking. Only a low number had paid to register / launch at Abersoch and Machroes on the day of the visit and the figures recorded balanced with the money collected in the cash box. Money collected in the cash box at Morfa Bychan beach also balanced with the number of tickets sold, but only card transactions had been received at Porthmadog Harbour.

- 5.1.1 Staff were present at Abersoch and Machroes beaches and Porthmadog Harbour but the fees and information on the services available were not displayed to the public. There was a clear, prominent sign on the Morfa Bychan beach displaying the fees for the different services such as parking, registration and launching.
- 5.1.2 Staff on the beaches and harbour are experienced and familiar with the duties of collecting income and banking. It was expressed that no training was given to them on income collection, as new staff are trained while shadowing experienced staff to ensure an awareness of the procedure in case some of the experienced staff were absent.
- 5.1.3 The Beaches Officer and Harbour Master explained that they had been instructed to complete a TR34cc form for each day; however, this is not necessary provided the sub-total for each day is indicated on the form. There are not many transactions on a daily basis to justify the completion of an individual form but because money is often banked, almost daily on occasions, there is a need to ensure that it is possible to differentiate how much income has been received on the different dates.
- 5.1.4 Income from entry fees to Parc Glynllifon are collected by the 'Adra' company that runs a shop within the Park. 'Adra' produces a quarterly 'self-invoice' indicating how much money has been transferred to the Council. The Maritime and Country Parks Officer stated that there are no checks of the numbers of visitors or the money collected because of a lack of staff resources to carry them out. The accuracy of the figures cannot be assured, but the Service is confident that they are accurate.
- 5.1.5 The ledger shows no record of use of the surplus / deficit code when cash received does not reconcile with the expected amounts. There is no specific guidance to report on surplus / deficit at Morfa Bychan beach. The experienced staff indicated that minor mistakes can be made during busy periods but in general, situations seem to reconcile themselves by the end of the shift. It was explained that at times, surplus was kept to one side and used to reconcile the money when a deficit was identified.

6. Actions

The Maritime and Country Parks Officer is committed to implementing the following steps to mitigate the risks highlighted:

- **Ensure that there are leaflets highlighting the fees at all locations that collect income and that the fees are visible to customers.**

HOME CARE – TRAVELLING COSTS ADULTS, HEALTH AND WELLBEING

1. Background

- 1.1 Community Care Workers travel to a variety of locations in order to provide community care for residents in their communities. The workers then make weekly claims to the Council for the reimbursement of travel expenses, which are administered within their area office.
- 1.2 Following a significant overspend on Community Care Workers traveling costs in the past, in 2015/16 the administration, processing and approval of travel claims across the three areas of Gwynedd were examined to ensure their accuracy, that they were proportional with their rotas, and the visits are planned effectively. During the course of the audit, many weaknesses and inconsistencies were seen and recommendations were made to strengthen the process, and by the follow-up audit the overspend had reduced significantly.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that there are appropriate internal controls in the administration, processing and approval arrangements of Community Care Workers' travelling costs in order to ensure that the miles claimed were appropriate and in accordance with the expected travel with regards to their rota for the period, and within the Service budget. To achieve this, the audit encompassed verifying what controls are in place to ensure the accuracy of travel costs by selecting a recent sample of claims and comparing them with their rotas for the period in question.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

- 4.1 The audit has found that some risks require further attention:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	1
LOW	1

5. Main Findings

- 5.1 Since the original audit, the overspend on Community Care Workers' travel costs has reduced from around £128k in 2014/15 to £63k in 2017/18. It appears that the current arrangements have met their objectives.
- 5.1.1 The 2015/16 audit found that the checks made on travel claims focused on vehicle mileage clock readings rather than the total claimed and how this compares with their work rota. Although this would be a very burdensome administrative task considering the number of weekly travel claims processed and the lack of details that were presented, the fact that the appropriate checks were not carried out enabled some unreasonably high travel claims to be processed, and perhaps contributed to a culture among employees where this is considered acceptable.
- 5.1.2 Following the original audit, the Area Administrators carry out weekly checks on a sample of travel claims comparing the information on rotas with websites such as 'Google Maps'. Employees are aware of this following a letter sent out after the 2015/16 audit. However, the Administrators indicated that it is not practical to check a thorough sample in all cases. Although this can increase the risk of inappropriate claims, reducing the checks is consistent with the principles of Ffordd Gwynedd and the Council's self-service arrangements.
- 5.1.3 Recently, the Council has adopted a new arrangement where employees with an IT account can claim any travel and subsistence costs through a self-service system. As part of this arrangement, details of journeys are submitted online and does not require authorisation by a manager for the payment to be processed, but managers have a responsibility to ensure the appropriateness of claims and they do have the ability to refuse applications if they are of the opinion that they are inappropriate or inaccurate. The intention of the new procedure is to reduce the administrative burden attached to the previous paper claims requiring a line manager authorisation, certification by the budget holder and then inputted by administrative officers to the system to produce the payment. Community Care Workers do not currently use self-service, but in the future they are expected to use their PDA (Personal Digital Assistant) to claim travel costs, which will replace existing arrangements. It is proposed to revisit this area following the adoption of the new arrangement, to ensure that travel claims continue to be appropriate.

6. Actions

The Service has committed to implementing the following steps to mitigate the risks highlighted.

- **Continue to monitor the budget in every area.**
- **Discuss with IT the possibility of introducing self-service arrangements using PDA (Personal Digital Assistant).**

PLAS Y DON
ADULTS, HEALTH AND WELL-BEING

1. Background

1.1 Plas y Don is a residential home that offers permanent and short-term care for up to 30 residents.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that the management and maintenance arrangements of Plas y Don residential home were appropriate and in accordance with relevant regulations and standards. In order to achieve this, the audit included verifying that the home's arrangements were sufficient in terms of administration and staffing, budgetary control, procurement of goods and receiving income, health and safety, and monitoring performance along with ensuring that service users and their property were protected.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were checked. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects where the arrangements can be tightened to further mitigate the risks.

4. Current Risks

4.1 The audit has found that some risks require further attention:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	3
LOW	2

5. Main Findings

5.1 The residential home was welcoming and friendly. CIW's¹ recent reports recognised adaptations and improvements that were seen at the Home. Management and maintenance arrangements at the residential home are generally appropriate but attention will need to be given to the following:

5.1.1 A sample of invoices were selected and it was found that a 'received' stamp was not used to record the date the invoice arrived at the Home. The received date is used instead of the invoice tax point in order to ensure accuracy, and improve the performance of prompt payment of invoices.

5.1.2 The Home's inventory requires updating.

¹ Care Inspectorate Wales (Formerly CSSIW – Care and Social Services Inspectorate Wales)

- 5.1.3 Although members of staff had not completed the necessary e-learning modules, the manager is already committed to acting on this by arranging for an Officer from the Corporate Support Department to visit the Home to ensure that all staff are provided with access and support to complete the modules without compromising the day-to-day running of the Home.
- 5.1.4 The money in the petty cash tin did not agree with the amount on the record sheet. The difference was a small amount of £4 and it was suggested that the error could be as a result of takings from the shop being included in error. It was found that a number of claims for repayment to the Imprest account were for sums greater than 2/3 of the total and that two claims exceeded the total of the account. Although the box was kept safe, the lock did not operate correctly and it could be easily opened without a purposeful key.
- 5.1.5 It was found that there was a mistake in medication stock records during the audit. There was no record that one of the residents had received a tablet on the MAR (Medicine Administration Record) sheet but the tablet had been removed from the 'Venalink' for that day. The Manager was committed to investigating this situation to seek clarification.

6. Actions

The Manager has committed to implement the following steps to mitigate the risks highlighted:

- **Ensure complete and accurate records are kept of all medication administration.**
- **Arrange for staff to complete the required e-learning modules.**
- **Update the Home's Inventory.**
- **Ensure that the petty cash account is administered appropriately and monitored and that a suitable container is used to store the money.**
- **Ensure that a received stamp is used on all invoices.**

**PLAS HEDD HOME
ADULTS, HEALTH AND WELLBEING**

1. Background

1.1 Plas Hedd residential home in Bangor offers permanent and short-term care for up to 28 residents.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that the management and maintenance arrangements of Plas Hedd Residential Home were appropriate and in accordance with relevant regulations and standards. In order to achieve this, the audit covered examining whether or not the home's arrangements were adequate in terms of administration and staffing, budgetary control, procurement of goods and income, health and safety, and performance monitoring together with ensuring that service users and their properties are protected.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

4.1 The audit has found that some risks require further attention:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	3
LOW	2

5. Main Findings

5.1 Staff files and their supervision records were checked. Supervision should take place every 2 months for each member of staff, but it has been observed that it can be up to 6 months on average at the home. The Manager stated that undertaking supervision every 2 months was very difficult with the limited resources available at the home.

5.2 The training database found that the Manager had attended a 'Financial Workshop Course' in 2014 and that the Clerk received 'Financial Arrangements' training in 2010. The Manager and Clerk were confident when interpreting the information they received from the accountancy service. The Clerk stated that it would be beneficial for her to receive basic training on the financial ledger so that she could access their budget and details of expenditure without having to rely on the accountancy service.

- 5.3 It was discovered that the Home had tried to pay 2 duplicate invoices. Neither the Manager nor Clerk were aware of this. The Clerk stated that a spreadsheet of the invoices of the Home had already been adjusted to identify duplicate invoices before they were sent to be paid.
- 5.4 From the sample of invoices and orders checked, it was found that some of them were not stamped with the date received, particularly the kitchen invoices. This was discussed with the Manager and Clerk and it was expressed that it would be beneficial for the kitchen to have its own date stamp in order to facilitate the action for the kitchen staff. It was also explained that writing the date by hand and signing it would be acceptable if there is no stamp available.
- 5.5 There is a need for all staff need to complete the domestic abuse e-learning module in accordance with Section 15 of the Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015, where Government Statutory Guidance (March 2016) makes it mandatory for all Council staff to complete awareness raising training in the area. A majority of the staff had not completed the module at the time of the audit.
- 5.6 It was found that the Council's Medication Policy was available to the Home's staff in the medication room. It was found that 19 staff had signed the form titled '*A list of staff who are eligible to distribute medication*'. It was found that 11 members of the Home's staff had signed the form titled '*List of staff who have read and understood the medication policy for 2018*'. This meant that 11 of the 19 'qualified to distribute medication' had read and understood the Council's Medication Policy.
- 5.7 The Home's Statement of Purpose was found to contain the vast majority of the information required in accordance with Schedule 2 of the Regulated Services Regulations (Registration) (Wales) 2017. However, there was no reference to arrangements for supporting the religious needs of residents.

6. Actions

The Manager has committed to implementing the following steps to mitigate the risks highlighted.

- **Conduct supervision more often.**
- **Ensure that all staff who are competent to distribute medication read and understand the Medication Policy and sign the relevant form.**
- **Ensure all staff complete the 'Domestic Abuse' e-learning module.**
- **Include the arrangements available at the home to support the religious needs of residents.**
- **Tighten the arrangements for stamping / dating invoices.**

**HAFOD MAWDDACH HOME
ADULTS, HEALTH AND WELLBEING**

1. Background

1.1 Hafod Mawddach Home provides both long-term and short-term care for up to 25 residents who find it difficult to live independently within the community and who have been assessed as needing care.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that the management and maintenance procedures for Hafod Mawddach Residential Home were appropriate and in accordance with relevant regulations and standards. In order to achieve this, the audit covered checking that the home arrangements were adequate in terms of administration and staffing, budgetary control, procurement of goods and income, health and safety, and performance monitoring together with ensuring that service users and their properties are protected.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

4.1 The audit has found that some risks require further attention:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	4
LOW	1

5. Main Findings

5.1 Strong internal controls were found to be in place at Hafod Mawddach Home, but some aspects need to be tightened. The areas that need attention are detailed below:

5.1.1 It is expected that each resident's Care Plan is reviewed on a monthly basis. It was discovered, however, that this does not take place. A sample of 5 of the residents' care plans were checked during the inspection, and it was discovered that 4 of them had not been reviewed for two months. The Manager confirmed that key workers are responsible for arranging this, and that they would be reminded of the need to complete them on a monthly basis.

- 5.1.2 Medication competence tests are not carried out. The Area Manager confirmed that the Service had given guidance that the competencies were expected to be held annually as good practice, safeguarding the service, and supporting staff. However, the Medication Policy does not confirm that these are required. It was confirmed that a new Medication Code was in place, but firm guidance has not yet been received in order to confirm whether they would be required.
- 5.1.3 The home is not consistent in the manner of calculating the holiday entitlement of casual workers. Holidays are calculated by taking into account the number of hours the worker works in a 13 week period. It was sometimes seen that the holiday entitlement for some members of staff was rounded down to the nearest hour, with others rounded down to the nearest half or quarter hour. The Manager and Clerk confirmed that they had always rounded the holiday down, but that they would be consistent in their arrangements from now on, rounding the holiday entitlement of each casual member of staff down to the nearest half or quarter.
- 5.1.4 There is no separation of duties when raising orders and authorizing payments. The Manager and Clerk confirmed that they were unaware that this was necessary and that they would do so from now on. In addition, it was found that invoices are not date stamped, which makes it impossible to confirm the number of days taken for processing. The Clerk stated that he had already ordered a stamp, and that all invoices would be stamped with the receipt date from now on.
- 5.1.5 The Auditor was not asked to sign the visitor book on the day of the visit. It was found that the door of the home was held open with a stone on that morning, so access could be made immediately. The Manager confirmed that staff were aware of the procedure to ask every visitor to sign the book, and that would remind them immediately. The Manager added that one of the residents placed the stone to hold the door when going to the garden for a cigarette. Otherwise, the door is usually locked. The visitor book was checked during the visit and it was seen that it was signed daily by both visitors and staff.
- 5.1.6 It was found that not all fire tests are carried out on a timely basis. Following the visit, the Manager confirmed that she had appointed the Senior Care Officer as the member of staff responsible for carrying out the tests from now on.
- 5.1.7 Most of the home's staff had not completed the mandatory e-learning modules: Protecting Adults, The Protection and Safeguarding of Children, and Domestic Prevention and Abuse.

6. Actions

The Home has committed to implementing the following steps to mitigate the risks highlighted.

- **Ensure Care Plans are reviewed monthly.**
- **Ensure that fire tests are carried out on a timely basis.**
- **Remind staff that every Home visitor needs to sign the visitor book.**
- **Ensure that staff complete e-learning training modules in the near future.**
- **Ensure the separation of duties when raising orders and authorizing payments.**

**CEFN RODYN
ADULTS, HEALTH AND WELL-BEING**

1. Background

1.1 Cefn Rodyn Residential Home, Dolgellau offers permanent and short-term care for up to 21 residents.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that the management and maintenance arrangements of Cefn Rodyn residential home were appropriate and in accordance with relevant regulations and standards. In order to achieve this, the audit included verifying that the home's arrangements were sufficient in terms of administration and staffing, budgetary control, procurement of goods and receiving income, health and safety, and monitoring performance along with ensuring that service users and their property were protected.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were checked. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects where the arrangements can be tightened to further mitigate the risks.

4. Current Risks

4.1 The audit has found that some risks require further attention:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	2
LOW	1

5. Main Findings

5.1 Strong internal controls were found to exist at Cefn Rodyn, but some aspects need to be tightened, the areas that need attention are detailed below:

5.1.1 Welsh and English copies of Cefn Rodyn's Statement of Purpose were received, but when checking the Welsh version there were some minor language errors. In addition, the statement did not include all the information that should be included in accordance with Schedule 1 - Regulation 4(1)(c) 'Information to be included in the Statement of Purpose' of The Care Homes (Wales) Regulations 2002 e.g. the arrangements made for service users to attend religious services of their choice etc. This was discussed with the Manager, referring to Schedule 1, the Manager stated that although it was not recorded in the Statement of Purpose, arrangements could be put in place should staffing levels allow.

- 5.1.2 First aid, fire, safeguarding and moving and handling training records were checked for a sample of 10 members of staff. Not all of them were up to date. However, the Manager has already arranged a training program for the whole year so that staff receive the most current training.
- 5.1.3 A sample of HS11 forms were received along with the emails that had been sent to the Health and Safety Service. A period of 10 days had passed before 2 of the forms were sent. The Manager explained that this was an error and that they are usually sent immediately.
- 5.1.4 The Home has the Council's Safeguarding Policy, but not the current version that was reviewed in September 2017. A current copy was sent to the Manager and staff were notified of it.
- 5.1.5 All staff need to complete the domestic abuse e-learning module in accordance with Section 15 of the Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015, where Government Statutory Guidance (March 2016) makes it mandatory for all relevant authority staff (including county councils) to complete awareness raising training in this area. 4 members of staff had completed the module at the time of the audit.
- 5.1.6 Half of the staff have signed to confirm that they have read the Medication Policy in 2018, this includes 12 out of the 17 staff who administer medication.
- 5.1.7 The temperature records of the medication room and the medication fridge were checked for April 2018, and 11 records were seen where the temperature of the fridge was higher than 8 ° C, which is contrary to the medication storage instructions in the Policy, which states that the ideal temperature for the fridge is between 2 ° C and 8 ° C. The Manager has adjusted the temperature of the fridge and has made a note in the file asking staff to report any readings over 8°C.

6. Actions

The Manager has committed to implement the following steps to mitigate the risks highlighted:

- **Arrange that the officers administering medication read the policy and sign to confirm that.**
- **Arrange for staff to complete the 'Domestic Abuse' e-learning module.**
- **Update the Statement of Purpose to include the necessary information and to correct the errors.**

Agenda Item 8

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	27 SEPTEMBER 2018
TITLE	INTERNAL AUDIT PLAN 2018/19
PURPOSE OF REPORT	TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2018/19 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 2018/19 Internal Audit Plan.

2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2018/19 internal audit plan is included in Appendix 1 with the status of the work as at 14 September 2018 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	22
Working Papers Created	4
Field Work Started	13
Draft Report	2
Final Report Issued	14
Total	55
Cancelled	1

2.2 The service aims to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2019. 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 14 September 2018 was **25.45%** - out of **55** individual audits contained in the 2018/19 plan, **14** had been released in a finalised version.

3. AMENDMENTS TO THE PLAN

- 3.1 The days allocated to for the audit of “Leisure Centres” in the original plan have been assigned to four individual leisure centres.
- 3.2 Ten days had been allocated to the audit “Council Tax System – One Digital Portal”, but following initial discussions with the Taxation Manager, it became apparent that the project was not yet matured enough. Therefore, it was decided to transfer the 10 days to conduct an audit of “Council Tax – Refunds”.
- 3.3 A request was received from a Senior Accountant for Internal Audit to conduct an audit of the school uniform grant claim for 2017/18. The school uniform grant as a hypothecated grant has now ceased. Six days have been allocated to the “School Uniform Grant”.

4. RECOMMENDATION

- 4.1 The Committee is asked to note the contents of this report as an update on progress against the 2018/19 audit plan, and offer comments thereon and accept the report.



Internal Audit Plan 2018/19

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
CORPORATE						
1-CORFF-09/2019	Supporting Ffordd Gwynedd Reviews	20.00	0.00	20.00	4.04	Planned
1-CORFF-19/2019/001	Safeguarding Arrangements - Domestic Abuse	15.00	0.00	15.00	9.34	Final Report Issued
1-CORFF-19/2019/002	Safeguarding Arrangements – Establishments	4.00	0.00	4.00	3.57	Field Work Started
1-CPGV-02/2019	Proactive Prevention of Fraud and Corruption	20.00	0.00	20.00	3.72	Planned
2-ADN-CGC-DPA/2019cy	Information Management - Establishments	6.00	0.00	6.00	0.15	Field Work Started
2-ADN-CGC-DPA/2019dp	General Data Protection Regulations	15.00	0.00	15.00	12.85	Field Work Started
AO-ARL-05/2019	National Fraud Initiative	40.00	0.00	40.00	5.81	Field Work Started
EDUCATION						
Resources						
4-DATX-ADD/2019gy	School Uniform Grant	0.00	6.00	6.00	6.11	Final Report Issued
4-DATX-ADD/2019GAD	Pupil Development Grant	10.00	0.00	10.00	9.81	Final Report Issued
4-DATX-ADD/2019GGA	Education Improvement Grant for Schools	15.00	0.00	15.00	12.96	Final Report Issued
4-DATX-ADD/2019o16	Post-16 provision in Schools Grant	3.00	0.00	3.00	0.45	Planned
EADDA03/2019/001	Awareness of the Whistleblowing Policy – Primary and Secondary	25.00	0.00	25.00	1.91	Planned
EADDA03/2019/002	School Admissions	15.00	0.00	15.00	14.24	Final Report Issued
EADDA04/2019/IR35	Employment Status IR35	30.00	0.00	30.00	9.73	WP Created
Across the department						
EADDA06/2019	TRAC Project	15.00	0.00	15.00	0.41	Planned
GwE						
4-GWE/2019/IR35	GwE - Employment Status IR35	30.00	0.00	30.00	6.51	Field Work Started
Schools						
EADDA35/2019	Schools - General	10.00	0.00	10.00	0.36	Field Work Started
ENVIRONMENT						
Public Protection						
2ADN-GGYC-GYC/2019dp	Pest Control	12.00	0.00	12.00	2.54	Field Work Started

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
BB-YSG-11/2019	Licensing Arrangements	8.00	0.00	8.00	0.54	Planned
Council Land and Property						
BA-EID-02/2019	Property Repair and Maintenance	15.00	0.00	15.00		Planned
Transportation and Street Care						
DDAT-CC-01/2019	Public Transport	12.00	0.00	12.00	3.86	WP Created
FINANCE						
Across the department						
AW-TG-12/2019	Systems - Patch Management	12.00	0.00	12.00	10.01	Field Work Started
Accountancy						
AN-ACY-02/2019	Interfaces with the Financial Ledger	20.00	0.00	20.00	2.96	WP Created
Pensions and Payroll						
AP-PEN-07/2019	Contribution from Employers	25.00	0.00	25.00	2.10	Planned
Revenue						
AB-BB-01/2019kc	Benefits – Review of Key Controls	12.00	0.00	12.00	0.99	Field Work Started
AC-TR-01/2019	Council Tax System - One Digital Portal	10.00	-10.00	0.00	0.54	Cancelled
AC-TR-01/Ad/2019	Council Tax - Refunds	0.00	10.00	10.00	1.15	WP Created
AC-TR-07/2019	Council Tax Debt Suspension and Write-Off	10.00	0.00	10.00	11.09	Final Report Issued
AC-TR-11/2019	Business Rates – Valuation List	6.00	0.00	6.00	5.73	Final Report Issued
Information Technology						
AW-TG-05/2019	Disposal of IT Equipment	8.00	0.00	8.00		Planned
AW-TG-08/2019	IT Disaster Recovery Arrangements	10.00	0.00	10.00	2.78	Planned
AW-TG-17/2019	Software Licences	10.00	0.00	10.00	0.41	Planned
ECONOMY AND COMMUNITY						
Community Regeneration						
EADDZ-01/2019	Welsh Church Fund	3.00	0.00	3.00		Planned
Leisure						
EHAMAC6401/2019	Arfon Leisure Centre	0.00	10.00	10.00	10.50	Final Report Issued
EHAMAC6406/2019	Plas Ffrancon Leisure Centre	0.00	10.00	10.00	9.97	Draft Report Issued
EHAMAC6421/2019	Glaslyn Leisure Centre	0.00	10.00	10.00	7.73	Field Work Started

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
EHAMAC6442/2019	Penllyn Leisure Centre	0.00	10.00	10.00	10.78	Draft Report Issued
Maritime and country parks						
EHAMT-01/2019	Income Collection - Beaches and Country Parks	10.00	0.00	10.00	10.08	Final Report Issued
Strategy and development Programmes						
DDAT-AD-02/2019	Caernarfon Waterfront and Town Centre Regeneration Initiative – Governance Arrangements	15.00	0.00	15.00		Planned
DDAT-AD-05/2019	North Wales Growth Board	15.00	0.00	15.00		Planned
ADULTS, HEALTH AND WELLBEING						
Across the department						
5-GOF-GCY-ARALW/2019	On-call and Emergency Arrangements	15.00	0.00	15.00	0.53	Planned
GRH-GW01/2019ab	Social Services Annual Report	8.00	0.00	8.00	2.43	Planned
Business						
GRH-CD01/2019	Commissioning Arrangements	30.00	0.00	30.00		Planned
Supporting People						
GDAPP-SP01/2019	Adult Placement Scheme (Shared Lives Scheme)	15.00	0.00	15.00	2.65	Field Work Started
Community Care						
GDAPP-GC04/2019	Home Care - Travelling Costs	15.00	0.00	15.00	14.23	Final Report Issued
Residential and Day						
5-GOF-CART1341/2019	Plas y Don	12.00	0.00	12.00	11.49	Final Report Issued
5-GOF-CART1345/2019	Plas Hedd	12.00	0.00	12.00	12.58	Final Report Issued
5-GOF-CART1350/2019	Hafod Mawddach	12.00	0.00	12.00	12.14	Final Report Issued
5-GOF-CART1356/2019	Cefn Rodyn	12.00	0.00	12.00	12.27	Final Report Issued
Private Sector Housing						
T-TAI-G06/2019	Disabled Facilities Grant	15.00	0.00	15.00	7.89	Field Work Started
T-TAI-G10/2019	Houses into Homes Scheme	12.00	0.00	12.00	1.69	Planned
CHILDREN AND FAMILY SUPPORT						
Children and Families						
5-GOF-X-PL/2019	Grants	20.00	0.00	20.00		Planned
GGWAS-PLANT8/2019	Care and Support Plans (Children) under Part 4 – Social Services and Wellbeing Act (Wales) 2014	20.00	0.00	20.00		Planned

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
HIGHWAYS AND MUNICIPAL						
Fleet						
PGW-TR-02/2019	Diesel Tanks and Disel Management	15.00	0.00	15.00	2.30	Field Work Started
Waste Management and Streets						
3-AMG-GORF/2019	Street Enforcement	12.00	0.00	12.00	0.23	Planned
GWYNEDD CONSULTANCY						
Across the department						
PYMG-CON/2019	Flood Management	15.00	0.00	15.00	4.39	Planned