

GwE Joint Committee
(Conwy, Denbighshire, Flintshire, Gwynedd,
Anglesey and Wrexham Councils)

STATEMENT OF
ACCOUNTS
2018/19
(Subject to Audit)

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NARRATIVE REPORT

INTRODUCTION

The Regional School Effectiveness and Improvement Service (GwE) has been established in partnership between the six North Wales authorities, being Conwy County Borough Council, Denbighshire County Council, Flintshire County Council, Gwynedd Council, Isle of Anglesey County Council and Wrexham County Borough Council, to be accountable to the Councils and undertake the statutory function of the Councils in respect of school improvement and effectiveness. This includes the duty to monitor, challenge, provide support services for curriculum continued professional development and management of schools, and in addition provide services that can be commissioned by schools and local authorities.

Gwynedd Council has been appointed as host authority in implementing and maintaining the service, and the Joint Committee of all the partners oversees the management of the service.

The GwE Joint Committee accounts for the year 2018/19 are presented here on pages 7 to 34. The Statements of Accounts are prepared in accordance with CIPFA's *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19*.

The Accounts consist of:-

- **Expenditure and Funding Analysis** – Whilst this is not a statutory statement, it shows how annual expenditure is used and funded by authorities in accordance with generally accepted accounting practices.
- **Comprehensive Income and Expenditure Statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. The income and expenditure has been split between the six councils as follows for 2018/19 :

Conwy	15.39%
Denbighshire	15.22%
Flintshire	22.65%
Gwynedd	17.61%
Anglesey	10.21%
Wrexham	18.92%
Total	100%

- **Movement in Reserves Statement** – This statement shows the movement in year on the different reserves held by the Joint Committee, analysed into 'usable reserves' and 'unusable reserves'.
- **The Balance Sheet** - Sets out the financial position of the Joint Committee on 31 March 2019.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Joint Committee during 2018/19 for revenue and capital purposes.

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

GwE's Vision and Priorities

GwE's vision states that they we will have:

"Outstanding schools naturally collaborating and jointly identifying direction for improvement which will deliver excellent standards and wellbeing for their pupils".

GwE's Business plan identifies objectives set to meet its priorities, and is available at:

<https://www.gwegogledd.cymru/wp-content/uploads/2018/02/Business-Plan-2017-20.pdf>

Financial Strategy

The annual budget is established within the context of the medium-term financial strategy, in order to ensure that the budget is preparing 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 GwE, enabling it to plan necessary savings rationally, without having to take rushed/inappropriate decisions, and establishing a regime to identify budgetary savings and cuts.

GwE's Medium Term Financial plan sets out the foundation for its priorities, and is available at:

<https://democracy.cyngor.gwynedd.gov.uk/ielistdocuments.aspx?cid=243&mid=2494&ver=4>

2018/19 Performance

GwE reports quarterly on the performance of the service in delivering the service functions and key aims. The Annual Performance Report is available at:

<https://democracy.cyngor.gwynedd.gov.uk/ielistdocuments.aspx?cid=243&mid=2896&ver=4>

2018/19 Financial Performance

- The Comprehensive Income and Expenditure Statement on page 8 shows that the Joint Committee's gross revenue expenditure on 'cost of services' level was £16,534k during 2018/19, with a net position of £469k.
- The financial out-turn position for 2018/19 was reported to the Joint Committee at its meeting on 22 May 2019. Joint Committee Members' approval was sought to transfer the (£19k) underspend to an earmarked reserve.
- The Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement on pages 8 and 9 detail the analysis in movements for the year.

TABLE 1 - Budget and Actual Comparison Summary (Net)

Table 1 provides a budgetary performance comparison at a summary level, which is detailed further in Table 2.

	Budget	Actual	Variance
	£'000	£'000	£'000
Expenditure on Operations	16,060	16,046	(14)
Income			
Council Contributions for the core service:			
Conwy	(633)	(633)	0
Denbighshire	(626)	(626)	0
Flintshire	(932)	(932)	0
Gwynedd	(725)	(725)	0
Anglesey	(420)	(420)	0
Wrexham	(778)	(778)	0
Other Income	(11,946)	(11,951)	(5)
Net (Underspend)/Overspend	0	(19)	(19)

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

	Performance Report (Out-turn) £'000	*Transposition Adjustment £'000	Net Expenditure Chargeable to the General Fund £'000	Adjustments between Funding and Accounting Basis £'000	Income & Expenditure Statement £'000
Expenditure	16,046	(174)	15,872	662	16,534
Income	(16,065)	0	(16,065)	0	(16,065)
Net Cost of Services	(19)	(174)	(193)	662	469

* The adjustments in the transposition column relate to contributions to and from reserves, and the adjustments between Funding and Accounting Basis column relate to the required technical adjustments for pensions and accumulated absences.

- **Material Items of Income and Expenditure**

Related Items include :-

- £1,313k on pensions, being the annual remeasurement of the net defined benefit assets relating to pensions, in line with Gwynedd Pension Fund's Actuary's assessment (Note 16).
- £16,065k in grants and contributions and equivalent expenditure (Note 21). A decrease of £983k compared to 2017/18.

- **Other Issues**

- Problems in the global financial situation have continued in recent years. Because of this general situation, it has been necessary for the Joint Committee to take these 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 Joint Committee.

Provisions and Reserves

The Joint Committee has provisions of £3k and earmarked reserves of £341k. These are detailed in the Balance Sheet, Movement in Reserves Statement and in Notes 9 and 14.

Pension Fund

The Joint Committee 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 Joint Committee's share of the Pension Fund liability. This net liability has increased by £2,156k to £8,904k in 2018/19. Refer to Note 25 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. The triennial valuation will provide a more dependable picture of the situation by 31/03/2020.

Governance

GwE 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.

Accounting Policies

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

Changes in Accounting Policies and to the Accounts

The Joint Committee's existing accounting policies are amended only insofar as to reflect the changes required by proper accounting practices following revisions effective for the financial year 2018/19 to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom in respect of accounting for financial instruments and income recognition.

The additional guidance regarding recognition of income from contracts with customers, IFRS 15 Revenue from Contracts with Customers had minimal or no impact, as the new requirements are broadly consistent with the Joint Committee's existing income recognition principles.

Similarly financial guidance on IFRS 9 Financial Instruments had minimal or no impact on GwE accounts.

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

Hywyn Lewis Jones
Senior Accountant
01286 679145

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 and the Joint Committees' 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.

GwE JOINT COMMITTEE

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE JOINT COMMITTEE'S RESPONSIBILITIES

Gwynedd Council as host authority bears the responsibility for the arrangements and administration of the Joint Committee's financial affairs.

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 the Joint Committee'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 GwE Joint Committee 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 the GwE Joint Committee at 31 March 2019 and its 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

30 May 2019

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (see Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (see Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
4,008	226	4,234	Employees	4,264	662	4,926
181	0	181	Property	297	0	297
146	0	146	Transport	193	0	193
2,155	0	2,155	Supplies and Services	2,558	0	2,558
11,302	0	11,302	Third Parties	8,560	0	8,560
(17,045)	0	(17,045)	Income	(16,065)	0	(16,065)
747	226	973	Cost of Services	(193)	662	469
0	0	0	Other Operating Expenditure	0	0	0
0	183	183	Financing and Investment Income and Expenditure	0	191	191
0	0	0	Taxation and non-specific grant income	0	0	0
747	409	1,156	(Surplus) / Deficit on Provision of Services	(193)	853	660
(895)			Opening General Fund Balance	(148)		
747			(Surplus)/Deficit on General Fund in Year	(193)		
(148)			Closing General Fund Balance	(341)		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2017/18			2018/19			
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
4,234	0	4,234	Employees	4,926	0	4,926
181	0	181	Property	297	0	297
146	0	146	Transport	193	0	193
2,155	0	2,155	Supplies and Services	2,558	0	2,558
11,302	0	11,302	Third Parties	8,560	0	8,560
0	(17,045)	(17,045)	Income	0	(16,065)	(16,065)
18,018	(17,045)	973	Cost of Services	16,534	(16,065)	469
0	0	0	Other Operating Expenditure	0	0	0
183	0	183	Financing and Investment Income and Expenditure	191	0	191
0	0	0	Taxation and non-specific grant income	0	0	0
18,201	(17,045)	1,156	(Surplus) / Deficit on Provision of Services	16,725	(16,065)	660
		(601)	Remeasurements of the net defined benefit liability/(assets)			1,313
		(601)	Other Comprehensive Income and Expenditure			1,313
		555	Total Comprehensive Income and Expenditure			1,973

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 Joint Committee, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other 'unusable reserves'. The Statement shows how the movements in year of the Joint Committee'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 (via the Councils' contributions). The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	Additional Information		Movement in Reserves Statement			
	Unearmarked General Fund Balance	Earmarked General Fund Reserves	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Joint Committee's Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance 31 March 2017 carried forward	0	(895)	(895)	(895)	7,019	6,124
Movement in reserves during 2017/18						
(Surplus)/Deficit on provision of services	1,156	0	1,156	1,156	0	1,156
Other Comprehensive Income and Expenditure	0	0	0	0	(601)	(601)
Total Comprehensive Income and Expenditure	1,156	0	1,156	1,156	(601)	555
Adjustments between accounting basis and funding basis under regulations	8 (409)	0	(409)	(409)	409	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	747	0	747	747	(192)	555
Transfers to/(from) Earmarked Reserves	(747)	747	0	0	0	0
(Increase)/Decrease in 2017/18	0	747	747	747	(192)	555
Balance 31 March 2018 carried forward	9 0	(148)	(148)	(148)	6,827	6,679
Movement in reserves during 2018/19						
(Surplus)/Deficit on provision of services	660	0	660	660	0	660
Other Comprehensive Income and Expenditure	0	0	0	0	1,313	1,313
Total Comprehensive Income and Expenditure	660	0	660	660	1,313	1,973
Adjustments between accounting basis and funding basis under regulations	8 (853)	0	(853)	(853)	853	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(193)	0	(193)	(193)	2,166	1,973
Transfers to/(from) Earmarked Reserves	9 193	(193)	0	0	0	0
(Increase)/Decrease in 2018/19	0	(193)	(193)	(193)	(2,166)	1,973
Balance 31 March 2019 carried forward	0	(341)	(341)	(341)	8,993	8,652

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Joint Committee. The net assets/(liabilities) of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Joint Committee is not able to use to provide services. This category of reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2018 £'000	Note	31 March 2019 £'000
1	Long-term Debtors	0
1	Long-term Assets	0
4,310	Short-term Debtors	265
271	Cash and Cash Equivalents	2,872
4,581	Current Assets	3,137
(4,246)	Short-term Creditors	(2,421)
(3)	Short-term Provisions	(3)
(264)	Grants Receipts in Advance	(461)
(4,513)	Current Liabilities	(2,885)
(6,748)	Pension Liability	(8,904)
(6,748)	Long-term Liabilities	(8,904)
(6,679)	Net Assets	(8,652)
(148)	Usable Reserves	(341)
6,827	Unusable Reserves	8,993
6,679	Total Reserves	8,652

CASH FLOW STATEMENT

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

2017/18 £'000	Note	2018/19 £'000
1,156	Net (Surplus) / Deficit on the Provision of Services	660
(882)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (<i>creditors, debtors and pension</i>)	(3,260)
274	Net cash flows from Operating Activities	(2,600)
(2)	Investing Activities	(1)
272	Net (Increase)/Decrease in cash and cash equivalents	(2,601)
(543)	Cash and cash equivalents at the beginning of the reporting period	(271)
(271)	Cash and cash equivalents at the end of the reporting period	(2,872)

NOTES TO THE ACCOUNTS

NOTE I – ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Joint Committee's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19* and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS).

The Joint Committee's practice is to operate on the basis that all items of expenditure are treated as revenue in the first instance. Should any items of a capital nature (e.g. IT equipment, furniture) prove to have a material significance on the true and fair presentation of the financial position then the items would be treated according to proper practices.

The nature of the Joint Committee's transactions is limited and only the relevant policies can be seen below.

1.2 Accruals of Expenditure and Income

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

The Joint Committee does not have its own bank account and cash is administered by Gwynedd Council within its own accounts.

1.4 Employee Benefits

1.4.1 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 Joint Committee. 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.

NOTE I – ACCOUNTING POLICIES (continued)

1.4.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Joint Committee 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 service in the Comprehensive Income and Expenditure Statement at the earlier of when the Joint Committee can no longer withdraw the offer of those benefits or when the Joint Committee recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Joint Committee to be charged with the amount payable by the Joint Committee 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.

1.4.3 Post-employment Benefits

Employees of the Joint Committee are members of two separate pension schemes:

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Joint Committee. 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 Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension in the year.

1.4.4 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 Joint Committee's accounts in respect of this group of employees is 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 Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.4% calculated as a weighted average of 'spot yields' on AA rated corporate bonds.

The assets of the Gwynedd Pension Fund attributable to the Joint Committee 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:

NOTE I – ACCOUNTING POLICIES (continued)

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Costs.
- Net interest on the net defined benefit 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 General Fund balance to be charged with the amount payable by the Joint Committee 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 Joint Committee 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 (including Joint Committees) in Wales and England are required to produce their financial statements in accordance with IAS 19.

1.4.5 Discretionary Benefits

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

NOTE I – ACCOUNTING POLICIES (continued)

1.5 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 (where it is possible to estimate the cost).

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

1.6 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 Joint Committee'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.

1.7 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 Joint Committee has not satisfied.

1.8 Overheads and Support Services

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

1.9 Provisions

The Joint Committee sets aside provisions for specific obligations which are likely or certain to be incurred but the amount of which cannot yet be determined accurately. These provisions are classified as long-term or short-term liabilities as appropriate according to the nature of each provision.

1.10 Reserves

Specific reserves are created to set aside amounts for future spending schemes. This is done through transfers out of the General Fund Balance in the Movement in Reserves Statement.

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 Joint Committee.

1.11 Value Added Tax

Only in a situation when VAT is irrecoverable will VAT be included or charged as 'irrecoverable VAT'. Since the Joint Committee has not registered for VAT, the VAT is recovered through Gwynedd Council's VAT registration.

NOTE 1 – ACCOUNTING POLICIES (continued)

1.12 Debtors and Creditors

The Joint Committee'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. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

1.13 Long-Term Contracts

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

1.14 Joint Operations

Jointly controlled operations are activities undertaken in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity.

The GwE Joint Committee has been categorised as a Joint Operation.

NOTE 2 – CHANGE IN ACCOUNTING POLICY

The Joint Committee's existing accounting policies are amended only insofar as to reflect the changes required by proper accounting practices following revisions effective for the financial year 2018/19 to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom in respect of accounting for financial instruments and income recognition.

The additional guidance regarding recognition of income from contracts with customers, IFRS 15 Revenue from Contracts with Customers had minimal or no impact, as the new requirements are broadly consistent with the Joint Committee's existing income recognition principles.

Similarly financial guidance on IFRS 9 Financial Instruments had minimal or no impact on GwE accounts.

NOTE 3 – 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 2019/20 Code:-

Amendments to IAS 40 Investment Property: Transfers of Investment Property.

Annual Improvements to IFRS Standards 2014-2016 Cycle.

IFRIC 22 Foreign Currency Transactions and Advance Consideration.

IFRIC 23 Uncertainty over Income Tax Treatments.

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

The Code requires implementation from 1 April 2019 and there is therefore no impact on the 2018/19 Statement of Accounts, and none of the new or amended standards within the 2019/20 Code are expected to have a material impact on the information provided in the financial statements.

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Joint Committee 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, including historical, professional assessment, current trends, local factors and actual future projections and assumptions that are considered to be relevant.

In recent years there has been some uncertainty about future levels of funding from Welsh Government relating to grants. This issue forms an important part of the Joint Committee's continually revised financial strategy, and where all known and forecasted factors are given due consideration. The impact of the decision for Britain to leave the European Union also remains unclear. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired.

All available and related information is sourced and applied in assessing and determining the position, which is particularly critical when considering such matters as 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 5 – 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 Joint Committee 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 item in the Joint Committee's Balance Sheet at 31 March 2019 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:

- **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 Gwynedd Pension Fund. Further details are contained in Notes 24 and 25.

NOTE 6 – MATERIAL ITEMS OF INCOME AND EXPENSE

Related items include:-

- £1,313k 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 16).
- £16,065k in grants and contributions and equivalent expenditure (Note 21). A decrease of £983k compared to 2017/18.

NOTE 7 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2018/19				
ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS				
	Adjustments for Capital Purposes	Net change for the Pensions Adjustments (i)	Other Differences (ii)	Total Adjustments
	£'000	£'000	£'000	£'000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts				
Employees	0	652	10	662
Property	0	0	0	0
Transport	0	0	0	0
Supplies and Services	0	0	0	0
Third Party	0	0	0	0
Income	0	0	0	0
Cost of Services	0	652	10	662
Other Operating Expenditure	0	0	0	0
Financing and Investment Income and Expenditure	0	191	0	191
Taxation and non-specific grant income	0	0	0	0
(Surplus) / Deficit on Provision of Services	0	843	10	853

2017/18				
ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS				
	Adjustments for Capital Purposes	Net change for the Pensions Adjustments (i)	Other Differences (ii)	Total Adjustments
	£'000	£'000	£'000	£'000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts				
Employees	0	221	5	226
Property	0	0	0	0
Transport	0	0	0	0
Supplies and Services	0	0	0	0
Third Party	0	0	0	0
Income	0	0	0	0
Cost of Services	0	221	5	226
Other Operating Expenditure	0	0	0	0
Financing and Investment Income and Expenditure	0	183	0	183
Taxation and non-specific grant income	0	0	0	0
(Surplus) / Deficit on Provision of Services	0	404	5	409

NOTE 7 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS (continued)

(i) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* 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.

(ii) 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 8 – 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 Joint Committee in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Joint Committee to meet future expenditure.

2018/19		
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS	Usable Reserve General Fund Balance	Movement in Unusable Reserves
	£'000	£'000
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 25)	(1,437)	1,437
Employer's pensions contributions and direct payments to pensioners payable in the year	594	(594)
Adjustment primarily involving the Accumulated Absences Account		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(10)	10
Total Adjustments	(853)	853

2017/18		
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS	Usable Reserve General Fund Balance	Movement in Unusable Reserves
	£'000	£'000
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 25)	(1,281)	1,281
Employer's pensions contributions and direct payments to pensioners payable in the year	877	(877)
Adjustment primarily involving the Accumulated Absences Account		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(5)	5
Total Adjustments	(409)	409

NOTE 9 – TRANSFERS TO/FROM 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.

Earmarked Reserves

	GwE Joint Committee Reserves
	£'000
Balance 31 March 2018	148
<u>Transfers:</u>	
In	193
Out	0
Balance 31 March 2019	341

NOTE 10 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2017/18	2018/19
£'000	£'000
183	191
Net interest on the net defined benefit liability/(asset)	
183 Total	191

NOTE 11 – SHORT-TERM DEBTORS

	31 March 2018	31 March 2019
	£'000	£'000
Trade Receivables	319	142
Prepayments	75	49
Other Receivable Amounts	3,916	74
Total	4,310	265

Following adjustments to the Code of Practice, the 2017/18 figures have been restated to comply with the new requirements.

NOTE 12 – CASH AND CASH EQUIVALENTS

The Joint Committee does not have its own bank account and cash is administered by Gwynedd Council within its own accounts. The figure shown in the table each year is the net cash sum or bank overdraft held on behalf of the Joint Committee within the Gwynedd Council amounts.

	31 March 2018 £'000	31 March 2019 £'000
Cash in Hand	271	2,872
Cash and Cash Equivalents	271	2,872
Bank Overdraft	0	0
Total	271	2,872

NOTE 13 – SHORT-TERM CREDITORS

	31 March 2018 £'000	31 March 2019 £'000
Trade Payables	473	417
Other Payables	3,773	2,004
Total	4,246	2,421

Following adjustments to the Code of Practice, the 2017/18 figures have been restated to comply with the new requirements.

NOTE 14 – PROVISIONS

The Joint Committee 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 are included in Note 9.

	Balance at 31 March 2018 £'000	(Addition) / Reduction / Transfer £'000	Used during the year £'000	Balance at 31 March 2019 £'000
Short-term Provisions				
Green Car Scheme Provision	(3)	0	0	(3)
	(3)	0	0	(3)

Green Car Scheme Provision – provision relating to staff leased car scheme requirements.

NOTE 15 – USABLE RESERVES

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

NOTE 16 – UNUSABLE RESERVES

31 March 2018		31 March 2019
£'000		£'000
(6,748)	Pensions Reserve	(8,904)
(79)	Accumulated Absences Account	(89)
(6,827)	Total Unusable Reserves	(8,993)

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 Joint Committee 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 Joint Committee 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 Joint Committee 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.

2017/18		2018/19
£000		£000
(6,945)	Balance 1 April	(6,748)
601	Remeasurements of the net defined benefit (liabilities) / assets (Note 25)	(1,313)
(1,281)	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	(1,437)
877	Employer's pensions contributions and direct payments to pensioners payable in the year	594
(6,748)	Balance 31 March	(8,904)

NOTE 16 – UNUSABLE RESERVES (continued)

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.

2017/18 £000	2018/19 £000
(74) Balance 1 April	(79)
(5) 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	(10)
(79) Balance 31 March	(89)

NOTE 17 – CASH FLOW STATEMENT: ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2017/18 £'000	2018/19 £'000
(947) (Increase)/Decrease in Creditors	1,825
377 Increase/(Decrease) in Debtors	(4,045)
(404) Pension Liability	(843)
92 Other non-cash items charged to net surplus/deficit on the provision of services	(197)
(882)	(3,260)

NOTE 18 – EVENTS AFTER THE BALANCE SHEET DATE

There are no known post-balance sheet events.

NOTE 19 – OFFICERS’ REMUNERATION

19a. The Accounts and Audit (Wales) (Amendment) Regulations 2018 require the Joint Committee 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. The remuneration paid to the Joint Committee’s senior officers directly employed by GwE is as follows:

2017/18				Chief Officers	2018/19				
Employer’s		Other	Total		Employer’s		Other	Total	
Salary	Pension Contribution	Employer Costs		Salary	Pension Contribution	Employer Costs	Salary		Pension Contribution
£	£	£	£		£	£	£	£	£
77,708	17,562	0	95,270	Chief Officer ¹	100,333	22,675	0	123,008	

1) For the period 1 November 2016 to 31 May 2017, the post holder was the Head of Education for Gwynedd Council and operated as a temporary Managing Director for GwE on a part-time basis. GwE was recharged for 80% of the costs, £18k for 2017/18. Holder permanently in post from 1 June 2017.

19b. Other Joint Committee employees receiving more than £60,000 remuneration for the year (excluding employer’s pension and national insurance contributions) were paid the following amounts. Termination benefits are to be included in the figures; however, there were no cases in 2018/19 or 2017/18.

Number of other employees who received more than £60,000 and includes remuneration and termination benefits:			
Number in 2017-18		Number in 2018-19	
Total		Total	
4	£60,000 - 64,999	10	
3	£65,000 - 69,999	4	

NOTE 20 – EXTERNAL AUDIT COSTS

The Joint Committee has incurred the following costs relating to external audit.

2017/18		2018/19
£’000		£’000
11	Fees payable to the auditor appointed by the Auditor General for Wales with regard to external audit services	11
3	Adjustment of fees payable to the auditor for previous year	0
14	Net Fees	11

Deloitte have been appointed by the Auditor General for Wales as Gwynedd Council’s, and subsequently GwE’s, external auditors.

NOTE 21 – GRANT INCOME

21a. The Joint Committee credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2017/18		2018/19	
	£'000	£'000	£'000	£'000
Grants and Contributions Credited to Services				
Welsh Government -				
Schools Challenge Cymru (SCC)	26		0	
Raising Standards Grant	2,473		0	
Supporting the use of Informal Languages - Children and Young People	240		0	
NPQH - National Professional Qualification for Headship	147		0	
Pupil Deprivation Grant - Looked After Children *	844		874	
Pioneer Schools Network	1,891		0	
Learning in Digital Wales (LiDW)	114		0	
Other	144		263	
		5,879		1,137
Regional Consortia School Improvement Grant ** -				
Welsh Government (excluding the EIG)		0		7,077
Education Improvement Grant (EIG) *				
Match funding from Councils				
Conwy	67		51	
Denbighshire	343		343	
Flintshire	86		86	
Gwynedd	547		547	
Anglesey	291		205	
Wrexham	0		0	
Welsh Government	4,355		2,002	
		5,689		3,234
Other Government Grants and Contributions -				
Sports Council for Wales	48		10	
Education Workforce Council	339		309	
		387		319
Other Grants and Contributions -				
Councils' Contributions towards the Core Service				
Conwy	629		633	
Denbighshire	623		626	
Flintshire	927		932	
Gwynedd	722		725	
Anglesey	414		420	
Wrexham	770		778	
		4,085		4,114
Other		1,008		184
Total Grants and Contributions Credited to Services		17,048		16,065

* Does not include grants or match funding distributed directly to schools.

** The majority of grants GwE receives annually, including the Education Improvement Grant, have been amalgamated into one comprehensive grant 'Regional Consortia School Improvement Grant' in 2018/19.

NOTE 21 – GRANT INCOME (continued)

21b. The Joint Committee has received grants that have yet to be recognised as income as they have conditions attached that could require the monies to be returned to the provider. The balance at the year-end is as follows:

	31 March 2018 £'000	31 March 2019 £'000
Grants and Contributions Received in Advance		
Short-term		
Newly Qualified Teachers Programme	264	344
Regional Consortia School Improvement Grant	0	117
Total	264	461

NOTE 22 – RELATED PARTIES

The Joint Committee is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Joint Committee or to be controlled or influenced by the Joint Committee. Disclosure of these transactions allows readers to assess the extent to which the Joint Committee 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 Joint Committee. To conform to the requirements, this is done by completing a personal declaration by the Members and Senior Officer, as defined in the CIPFA Code of Practice.

Members

Members of the Joint Committee have an influence over the Joint Committee's financial and operating policies.

Members have declared an interest or relationship in companies or businesses which may have dealings with the Joint Committee. A breakdown of the payments and balances at 31 March 2019 made to these companies under this heading during 2018/19 is as follows:

Payments made £'000	Amounts owed by the Joint Committee £'000	Amounts owed to the Joint Committee £'000
422	0	8

The figures are based on information received in respect of Councillors' returns.

Officers

The Joint Committee's Senior Officer has declared as required and where appropriate an interest or relationship in companies, voluntary, charitable, or public bodies which receive payments from the Joint Committee. During 2018/19 no payments were made or owed by the Joint Committee for the related bodies.

NOTE 23 – EXIT PACKAGES

There were no exit packages in 2018/19 or 2017/18.

NOTE 24 – PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Joint Committee 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 Joint Committee 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 Joint Committee is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19 the Joint Committee paid £10k (2017/18: £10k) in respect of teachers' pension costs, which represented 16.48%, on average (2017/18: 16.48%) of teachers' pensionable pay. In addition the Joint Committee is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms for the teachers' scheme. There were no such costs in 2018/19 or 2017/18. These costs are accounted for on a defined benefits basis and are included in Note 25.

NOTE 25 – PENSION COSTS

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

GwE 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 Joint Committee and the employees pay contributions into the fund, calculated at a level intended to balance the pensions 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. In the past the investment managers of the fund have been appointed by the Gwynedd Pension Fund Committee. As the investments are transferred to the Wales Pension Partnership (WPP) the managers will be appointed by the partnership.

The principal risks to the Joint Committee 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 Joint Committee.

Transactions Relating to Post-employment Benefits

The Joint Committee 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 (via the Councils' contributions) is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the Joint Committee's 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 25 – PENSION COSTS (continued)

Change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability	Period ended 31 March 2018			Period ended 31 March 2019		
	Assets	Liabilities	Net (liability) /asset	Assets	Liabilities	Net (liability) /asset
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	14,702	0	14,702	15,969	0	15,969
Present Value of Funded Liabilities	0	(21,647)	(21,647)	0	(22,717)	(22,717)
Present Value of Unfunded Liabilities	0	0	0	0	0	0
Opening Position at 1 April	14,702	(21,647)	(6,945)	15,969	(22,717)	(6,748)
Service Cost						
Current Service Cost*	0	(1,098)	(1,098)	0	(1,246)	(1,246)
Past Service Costs (including curtailments)	0	0	0	0	0	0
Total Service Cost	0	(1,098)	(1,098)	0	(1,246)	(1,246)
Net interest						
Interest Income on Plan Assets	392	0	392	437	0	437
Interest Cost on Defined Benefit Obligation	0	(575)	(575)	0	(628)	(628)
Total Net Interest	392	(575)	(183)	437	(628)	(191)
Total Defined Benefit Cost Recognised in Profit/(Loss)	392	(1,673)	(1,281)	437	(1,874)	(1,437)
Cash flows						
Plan participants' contributions	224	(224)	0	260	(260)	0
Employer contributions	878	0	878	568	0	568
Contributions in respect of unfunded benefits	0	0	0	0	0	0
Benefits Paid	(348)	348	0	(345)	345	0
Unfunded Benefits Paid	0	0	0	0	0	0
Expected Closing Position	15,848	(23,196)	(7,348)	16,889	(24,506)	(7,617)
Remeasurements						
Change in demographic assumptions	0	0	0	0	0	0
Change in financial assumptions	0	479	479	0	(2,181)	(2,181)
Other experience	0	0	0	0	0	0
Return on Assets excluding amounts included in net interest	121	0	121	894	0	894
Total remeasurements recognised in Other Comprehensive Income (OCI)	121	479	600	894	(2,181)	(1,287)
Fair Value of Employer Assets	15,969	0	15,969	17,783	0	17,783
Present Value of Funded Liabilities	0	(22,717)	(22,717)	0	(26,687)	(26,687)
Present Value of Unfunded Liabilities**	0	0	0	0	0	0
Closing Position at 31 March	15,969	(22,717)	(6,748)	17,783	(26,687)	(8,904)

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

** For unfunded liabilities as at 31 March 2019, 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.

NOTE 25 – PENSION COSTS (continued)

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 GwE is assumed to be in the same proportion to the Fund's asset allocation as at 31 December 2018. The split is shown in the table above. The Actuary estimates the bid value of the Fund's assets as at 31 March 2019 to be £2,090m based on information provided by the Administering Authority and allowing for index returns where necessary. Only a portion of the Fund is relevant to the GwE.

Fair Value of Employer Assets

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

Asset Category	At 31 March 2018				At 31 March 2019			
	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	474	0	474	3	443	0	443	2
Manufacturing	524	0	524	3	532	0	532	3
Energy and Utilities	50	0	50	0	0	0	0	0
Financial Institutions	283	0	283	2	208	0	208	1
Health and Care	811	0	811	5	1,137	0	1,137	6
Information Technology	607	0	607	4	311	0	311	2
Other	55	0	55	0	604	0	604	3
Debt Securities								
Other	0	2,321	2,321	14	0	2,584	2,584	15
Private Equity								
All	0	621	621	4	0	965	965	5
Real Estate								
UK Property	373	846	1,219	8	565	1,061	1,626	9
Overseas Property	0	15	15	0	0	9	9	0
Investment Funds and Unit Trusts								
Equities	3,242	4,867	8,109	51	3,460	5,097	8,557	48
Infrastructure	0	279	279	2	0	350	350	2
Cash and Cash Equivalents								
All	601	0	601	4	457	0	457	3
Total	7,020	8,949	15,969	100	7,717	10,066	17,783	100

NOTE 25 – PENSION COSTS (continued)

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:-

	31 March 2018	31 March 2019
Financial Assumptions	% p.a.	% p.a.
Pensions Increase Rate	2.4	2.5
Salary Increase Rate*	2.4	2.5
Inflation Rate	2.4	2.5
Discount Rate	2.7	2.4
Long-term expected rate of return on all categories of assets	2.7	2.4
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	24.2	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 2019, 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 2019 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 Joint Committee 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 3-5%. 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).

NOTE 25 – PENSION COSTS (continued)

The figures in the table below have been derived based on the membership profile of the Joint Committee 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 Employer	Approximate monetary amount
	31 March 2019	31 March 2019
	%	£'000
0.5% decrease in real discount rate	11	3,018
0.5% increase in the salary increase rate	2	665
0.5% increase in the pension increase rate	9	2,290

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 Joint Committee'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 Joint Committee 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 Joint Committee, please refer to the 2016 actuarial report dated 31 March 2017.

Information about the Defined Benefit Obligation

	Liability Split		Duration
	31 March 2019		
	£'000	%	
Active Members	19,665	73.7	23.1
Deferred Members	565	2.1	32.9
Pensioner Members	6,457	24.2	14.0
Total	26,687	100.0	20.0

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.

NOTE 25 – PENSION COSTS (continued)

Impact in Future Years

The total contribution expected to be made to the Local Government Pensions Scheme by the Joint Committee in the year to 31 March 2020 is £568k.

In April 2017, the Joint Committee made a payment of £394k 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 Joint Committee 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 £25,800 has been made in 2018/19 (£259,309 in 2017/18) to bring the deficit in the Scheme based on the Actuarial figures in comparison with the liability related to the defined benefit pension schemes in the Balance Sheet. This variance has been treated as Actuarial Gains and Losses on Pension Assets and Liabilities and therefore has been included in the Liability related to the defined benefit Pension Schemes in the Balance Sheet.

McCloud Legal Judgement

Our Actuary has advised that it is too early to know what the likely impact may be on LGPS members' benefits and therefore no allowance has been made within employer's 31 March 2019 IAS19 reports for the potential outcome of this judgement. There is uncertainty regarding the judgement with the government awaiting news of its right to appeal.