



Gwasanaeth Democraidd
Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Cyfarfod / Meeting

PWYLLGOR ARCHWILIO
AUDIT COMMITTEE

Dyddiad ac Amser / Date and Time

10.00am DYDD MAWRTH, 15 GORFFENNAF 2014

10.00am TUESDAY, 15 JULY 2014

Nodwch amser cychwyn y cyfarfod/Please note meeting start time

Lleoliad / Location

SIAMBR HYWEL DDA/CHAMBER.
SWYDDFEYDD Y CYNGOR/COUNCIL OFFICES,
PENCADLYS,
CAERNARFON

**** Nodwch y lleoliad ogydd / Please note venue ****

Pwynt Cyswllt / Contact Point

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Dosbarthwyd/Distributed: 04-07-14

**PWYLLGOR ARCHWILIO
AUDIT COMMITTEE**

AELODAETH/MEMBERSHIP (19)

Plaid Cymru (9)

Y Cynghorwyr/Councillors

Edward Dogan	Huw Edwards	Aled Ll. Evans
Chris Hughes	Dafydd Meurig	Dilwyn Morgan
Michael Sol Owen	Gethin G. Williams	Sedd Wag / Vacant Seat

Annibynnol/Independent (5)

Y Cynghorwyr/Councillors

Trevor Edwards	Tom Ellis	John Brynmor Hughes
Angela Russell	John Pughe Roberts	

Llais Gwynedd (3)

Y Cynghorwyr/Councillors

Anwen Davies	Aeron M. Jones	R.J. Wright
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Llafur/Labour (1)

Y Cynghorydd/Councillor

Sion W. Jones

Aelod Lleyg/Lay Member

Mr John Pollard

Aelod Ex-officio/Ex-officio Member

Cadeirydd y Cyngor / Council Chairman

AGENDA

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT BUSINESS

To note any items that are a matter of urgency in the view of the Chairman for consideration.

4. MINUTES

The Chairman shall propose that the minutes of the meeting of this committee, held on 6 May 2014, be signed as a true record.
(copy herewith - **yellow** paper)

5. REVENUE OUTTURN 2013-14 - FINAL REVIEW

To submit the report of the Head of Finance (copy herewith – **blue** paper)

6. STATEMENT OF ACCOUNTS 2013/14

To submit, for approval, the statutory financial declarations (subject to audit) for 2013/14 (copy herewith – **white** paper)

7. GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2013/14

To submit, for approval, the Annual Governance Statement for 2013/14 (copy herewith – **salmon** paper, Appendix – **white** paper)

8. REPORT OF THE CONTROL IMPROVEMENT WORKING GROUP

To submit the report of the Chair of the Audit Committee outlining the feedback from the meetings of the Panel on 6 June 2014
(copy herewith – **green** paper)

9. OUTPUT OF THE INTERNAL AUDIT SECTION

To submit the report of the Senior Audit and Risk Manager outlining the work of the internal Audit Section for the period between 1 April and 30 June 2014 (copy herewith – **pink** paper)

10. INTERNAL AUDIT PLAN 2014/15

To submit the report of the Senior Audit and Risk Manager (copy herewith – **grey** paper)

AUDIT COMMITTEE 6/5/14

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

Councillors: Anwen Davies, Eddie Dogan, Huw Edwards, Tom Ellis, Aled Ll. Evans, John B. Hughes, Dilwyn Morgan, Michael Sol Owen, Angela Russell and Peredur Jenkins (Cabinet Member - Resources)

Lay Member: Mr John Pollard

Also Present: Dafydd Edwards (Head of the Finance Department), William E. Jones (Senior Finance Manager), Dewi Morgan (Senior Audit and Risk Manager), Amanda Hughes (Local Manager - Wales Audit Office), Dilys Phillips (Monitoring Officer – for agenda items 12 and 13), Iwan Evans (Deputy Monitoring Officer – for agenda item 13) and Bethan Adams (Member Support and Scrutiny Officer).

Apologies: Councillors Trevor Edwards, Charles W. Jones, Dafydd Meurig and Gethin Glyn Williams.

1. CHAIR

RESOLVED to elect Councillor John Pughe Roberts as Chairman of the Committee for 2014/15.

2. VICE-CHAIR

RESOLVED to elect Councillor Robert J. Wright as Vice-chairman for the year 2014/15.

3. DECLARATION OF PERSONAL INTEREST

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

4. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 20 February 2014, as a true record.

5. ANNUAL FINANCIAL AUDIT OUTLINE 2013/14 OF GWYNEDD COUNCIL

Submitted - the report of the Local Manager - Wales Audit Office.

The main audit risks were outlined, noting that a number of the risks were relevant to all Local Authorities, with some being specific to Gwynedd Council.

It was reported that there was an overall reduction of 2.9% in the financial audit fee.

In response to an observation on the difficulties that could arise in the future due to the financial climate, the Local Manager - Wales Audit Office noted that there were a number of barriers/challenges for the future, with the possibility that deadlines for the reporting of accounts could be brought forward, resulting in greater pressure.

The Head of the Finance Department noted that he welcomed the reduction in the fee and that a number of the risks highlighted were not specific to this Council, but were general risks in the Welsh context.

RESOLVED to accept the report.

6. ANNUAL FINANCIAL AUDIT OUTLINE 2013/14 OF THE GWYNEDD PENSIONS FUND

Submitted – the report of the External Auditor outlining the annual financial audit of the Council as the administrating authority of the Pension Fund.

The main audit risks were highlighted and it was noted that they were risks common to all pension funds. It was noted that the Fund was dependent upon employers to ensure the accuracy of data. It was noted that the auditors would contact the external investment managers to confirm the accuracy of their evaluation of the value, and that their management environment was sound.

RESOLVED to accept the report.

7. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP

Submitted – the report of the former Chairman of the Audit Committee on the meeting of the above working group held on 4 April 2014 to consider five audits that had received a category C opinion during the period between 1 November 2013 and 31 January 2014, namely -

- a) Bryn Blodau, Llan Ffestiniog
- b) Use of Cetus / CALMS
- c) Data Protection - Clauses in Job Descriptions
- ch) Country Parks
- d) Laptop Security

Senior Managers had been invited to attend the meeting to discuss the matters arising from the audits and the work completed since the audit reports had been published in order to strengthen the internal controls in question.

It was noted that assurance had been received at the Working Group that the issues highlighted by the Internal Audit Unit were receiving due attention and that steps were being taken.

In response to an observation regarding the audit on Bryn Blodau, Llan Ffestiniog, the Senior Audit and Risk Manager noted that the audit had been undertaken at the request of the Senior Executive Manager - Healthy Living, and that there were no concerns regarding the safety of residents as only administrative weaknesses had been identified. It was added that an audit of the Overnight Arrangements in the Council's Homes had received a category "C" opinion and that it would be considered by the Working Group at its next meeting.

In the context of the Laptop Security audit, a member noted that it would be useful to receive information on how much money the Council had saved by buying members an iPad tablet.

A member asked whether it would be possible for members to buy the tablet provided to them once their term as Councillor ended. The Head of the Finance Department noted that he would make enquiries.

RESOLVED to accept the report.

8. OUTPUT OF THE INTERNAL AUDIT SECTION

The work of the Internal Audit Section for the period up to 31 March 2014

Submitted – the report of the Senior Audit and Risk Manager outlining the Internal Audit Section's work in the period between 1 February and 31 March 2014. In submitting the information on the work completed during the period, the officer referred to -

- 30 reports on audits of the operational plan with the relevant opinion category shown
- 3 other report (memoranda etc.)
- 2 grant reviews
- 2 follow-up audits

Details of further work that Internal Audit had in the pipeline was reported upon.

It was noted that 7 audits had received a category "C" opinion and it was suggested that due to the number, two meetings of the Controls Improvement Working Group should be held to consider them.

Consideration was given to each individual report and during the discussion reference was made to the following matters –

Health and Safety Risk Assessments in Schools

One member asked, following recent events in schools outside Gwynedd, whether the health and safety arrangements in schools needed to be strengthened. In response, the Audit and Risk Senior Manager noted that the audit stated that the overall arrangements were good with the Council having specific health and safety officers for schools and that although extraordinary incidents did occur, that an individual incident should not affect the context and the risk assessment. It was added that the recommendations were being sent to each school.

The member noted that the report should be referred to the Working Group for further information although it had received a category "B" opinion.

School Statistics and Censuses

A member noted that the accuracy of numbers were crucial as they formed the basis for school budgets. In response, the Senior Audit and Risk Manager noted that there were no major inconsistencies in the numbers and that more information would be given at the Working Group as the audit had received a category "C" opinion.

eProcurement System

The Head of the Finance Department noted that maximising the use of the eProcurement system was an objective to improve the internal efficiency of the Council, but as a number of local suppliers did not operate electronically, and as the Council was also eager to 'Keep the Benefit Local', there was an element of conflict and that it would be a continuous challenge to encourage more use of the eProcurement system.

Arrangements for Registering Births, Deaths and Marriages

In response to an observation from a member, the Senior Audit and Risk Manager noted that recent changes in the General Registrar's arrangements had enabled the unit to transfer to an electronic system.

Follow-up Report – *Siopau Gwynedd*

The Senior Audit and Risk Manager referred to the follow-up audit of *Siopau Gwynedd* which had received an 'Unsatisfactory' follow-up opinion, noting that officers could be invited to the Working Group if it was so wished.

RESOLVED to accept the reports on the Internal Audit Section's work for the period between 1 February and 31 March 2014 and to support the recommendations already submitted to the managers of the relevant services for implementation.

RESOLVED to convene two meetings of the working group, with the following members to serve on the working group in accordance with the details below:

- (i) The Chairman and Vice-chairman of the Audit Committee and Councillors Huw Edwards, Michael Sol Owen and Angela Russell to consider the following audits:**
 - **Health and Safety Risk Assessments in Schools**
 - **School Effectiveness Grant and the Pupil Deprivation Grant**
 - **School Statistics and Censuses**
 - **Verification of Performance Measures**
- (ii) The Chairman and Vice-chairman of the Committee and Councillors Aled Evans, Dafydd Meurig and Huw Edwards to consider the following audits:**
 - **Control Over Ordering and Payment for Property Repairs and Maintenance**
 - **Arrangements for Registering Births, Deaths and Marriages**
 - **Overnight Arrangements at Council Homes**
 - **Overtime Claims Procedures**
 - **Siopau Gwynedd Follow-up**

9. THE ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2013/14

Submitted - the annual report for 2013/14 by the Senior Audit and Risk Manager.

On the basis of the work that had been completed during 2013/14, it was noted that he was satisfied that Gwynedd Council had a sound framework of internal control in accordance with Internal Audit Standards in the Public Sector.

He noted that establishing the Control Improvement Working Group during 2013/14 had been an important step forward in strengthening the Council's arrangements for responding to internal audit reports.

It was reported that 99 out of 105 audits in the final amended internal audit plan had been completed by 31 March 2014, which corresponded to 94.29% of the plan, against a performance target of 95% for 2013/14.

The officer noted that discussions had been held with the relevant officers following submission of the draft internal audit plan for 2014/15 at the last meeting on 20 February, and that the final plan had been included at Appendix 3 of the report.

RESOLVED to accept the report as the formal annual report of the Senior Audit and Risk Manager in accordance with the requirements of the Public Sector Internal Audit Standards for the 2013/14 financial year and to congratulate the Internal Audit Section for its work.

10. SELF ASSESSMENT OF GOVERNANCE ARRANGEMENTS

Submitted - the report of the Senior Audit and Risk Manager.

It was noted that the Governance Arrangements Assessment Group's recommendation was that "good governance" should be defined as arrangements that placed providing for the people of Gwynedd at their centre.

The Senior Audit and Risk Manager explained that the Group had identified key elements in the Council's governance arrangements. The Group had noted an impact score for each of the elements, to reflect how relatively large an effect each of them had in adding public value, in addition to an effectiveness score on how well the individual elements were currently working in order to assist the Council in delivering for the people of Gwynedd.

It was noted that an impact / effectiveness score matrix had been included as an appendix to the report.

It was reported that the Corporate Management Team at its meeting on 30 April had considered the report and had made the following observations:

- 'Arrangements for Safeguarding Children and Adults' should be added to the list of key elements in the Council's governance arrangements;
- 'Integrated Public Services' should replace 'Single Integrated Plan' on the list of key elements;
- an impact score of 7 should not be given to 'Complaints Process' and that it should be moved from red to amber;
- an effectiveness score of 4 should be given to 'Engagement' and that it should be placed under red;
- the effectiveness score for 'Financial Strategy' should be reduced to 8 as a number of matters which were currently unknown could arise in the future.

It was noted that if agreement was reached on the above suggestions, that the following elements would require attention as a matter of high priority, in order to improve the effectiveness of the delivery for the people of Gwynedd:

- The Council's Values
- Integrated Public Services
- The 'Cyflawni' arrangements
- Evaluation and talent development arrangements
- Engagement

Reference was made to the suggested timetable for preparing the Governance Statement and it was noted that there was an addition, with the Corporate Management Team to challenge the draft Governance Statement at its meeting on 11 June. It was noted that the draft Governance Statement would be submitted to the Committee for approval at its next meeting on 10 July.

A member expressed the opinion that Equality should be added to the list of the Council's values.

RESOLVED:

- (i) **To accept that the definition of "good governance" should be arrangements that place providing for the people of Gwynedd at their centre;**
- (ii) **To agree that the Governance Arrangements Assessment Group should continue with its current direction in developing arrangements for the self assessment of the effectiveness of the Council's governance arrangements.**

11. REVIEWING THE COUNCIL'S CONSTITUTION

The report was presented by Councillor Michael Sol Owen, Chair of the Working Group to Review the Council's Constitution.

The Monitoring Officer further expanded on the contents of the report, noting that the Working Group had undertaken thorough work by consulting with Committees and other bodies. She noted that there were 4 elements upon which the Working Group wished to hear the opinion of this Committee, namely:

1. The duration of the Full Council meetings to be restricted to 4 hours, with discretion to the Chairman to allow more time.
2. Set out a framework to manage the relationship between the Cabinet and Full Council (Section 15);
3. Role of the Employment Appeals Committee;
4. Procedure for the final decision on schools reorganisation.

In response to an observation from a member regarding the procedure for making a final decision on schools reorganisation, the Deputy Monitoring Officer noted that it was possible for either the Cabinet or the Full Council to undertake the duty. He added, in evaluating both options, that the Working Group was of the opinion that due to the strict statutory timetable, that the Cabinet was better placed to decide, taking account of the number of Full Council meetings held annually.

A member was of the view that the Full Council should be responsible for the decision as members wished to be able to voice their opinions. In response, the Monitoring Officer noted that the schools reorganisation process was lengthy, with consultations held throughout the process, thereby giving members an opportunity to voice their opinions.

It was explained that a statutory public notice would be published in the press, and that a decision would only be required when objections were received. It was added that the arguments would have to be evaluated and reasons for the decision given only if objections were received.

The Chair of the Working Group noted that the Working Group's main considerations in deciding upon the Cabinet was the fact that the Cabinet started the process and undertook the consultation, so it should also shoulder the burden of the final responsibility.

A number of members felt that the Full Council should be responsible for this decision.

In response to a question from a member, the Monitoring Officer noted that it was constitutionally possible for the Cabinet to consult with the Full Council prior to making the decision. She emphasised that proposals could only be brought forward when objections to the statutory notice were received, and that the statutory notice was the final step in the reorganisation process.

The Deputy Monitoring Officer noted that there was a need to look at which process could work practically within the statutory requirements and the timescales.

He suggested that a report could be submitted to the Full Council summarising the information, and taking into consideration this Committee's wish that the Cabinet should submit a recommendation to the Full Council for a final decision in the schools reorganisation process.

RESOLVED:

- (i) To recommend that a report be submitted to the Full Council summarising the information, taking into consideration this Committee's wish that the Cabinet submits a recommendation to the Full Council on a final decision in the schools reorganisation process;**
- (ii) Subject to the above, to approve the Working Group's recommendation regarding the changes to the Constitution;**
- (iii) To recommend the new Constitution to the Full Council on 17 July.**

The meeting commenced at 10.30am and concluded at 12.40pm.

MEETING: AUDIT COMMITTEE

DATE: 15 JULY 2014

TITLE: REVENUE OUTTURN 2013/14 – FINAL REVIEW

PURPOSE: TO EXPLAIN THE FINAL FINANCIAL POSITION FOR 2013/14 WHICH IS THE BASIS FOR THE FOLLOWING STATEMENTS

ACTION: Receive the information, consider the risks arising from the forecast expenditure and income against the 2014/15 budget, and scrutinise the Cabinet’s decisions regarding managing the budgets of the Council and its Departments.

CONTACT OFFICER: DAFYDD L EDWARDS, HEAD OF FINANCE

CABINET MEMBER: COUNCILLOR PEREDUR JENKINS

1. The third quarter budget review report was submitted to the Audit Committee on 20 February 2014, and appropriate consideration was given to several matters.
2. The report submitted today, namely the “outturn” budget review, explains the final position for 2013/14 and shows each department’s position which is the basis for the following statements.
3. The Audit Committee’s Chairman has asked us to present the attached Cabinet report to the Audit Committee, to be scrutinised together with the relevant decisions of the Cabinet meeting of 10 June (which are also attached).
4. The Audit Committee is requested to note the position and the relevant risks regarding the budgets of the Council and its departments, consider the Cabinet’s draft decisions and comment as necessary.

REPORT TO THE CABINET

10 JUNE 2014

Cabinet Member: COUNCILLOR PEREDUR JENKINS, CABINET MEMBER - RESOURCES

Subject: FINAL ACCOUNTS 2013/14 - REVENUE OUTTURN

Contact Officer: DAFYDD L EDWARDS, HEAD OF FINANCE

1. The decision sought / purpose of the report

- 1.1 To consider and note the final financial position of the Council's departments for 2013/14.
- 1.2 **To approve the amounts to be carried forward**, where appropriate (the right hand column of the summary in **Appendix 1**), including approval for the Consultancy Department to be allowed to carry forward the full £120k underspend into the new financial year, as an exception to the usual £100k limit, due to the commercial nature of the service and their unpredictable level of income (*see Appendix 2, page 33*).
- 1.3 To approve the following financial transfers (outlined in **Appendix 2**) –
 - £32k from the Social Services Department's accrued underspend, along with
 - £262k from the corporate reserve earmarked for potential overspend in this field, and
 - £130k from the one-off savings following a restructuring of relevant senior management –
 - **to clear Social Services' £424k overspend** in 2013/14, and give the two new heads of department a debt-free start at the commencement of 2014/15 (*see Appendix 2, page 8*).
 - **£15k** of the Customer Care Department's underspend to be set-aside in order to create a **specific redundancy costs reserve**, to prepare for possible changes to **cleaning** contracts (*page 35*).
 - **£191k** from the underspend on Cross-Departmental Savings Plans (the balance having used £130k of this above) on a one-off to the **corporate Redundancy Reserve** (*page 38*).
 - **£243k** from the Contingency Budget to fund the additional cost of providing for **bad debts** (*page 38*).

- **£235k** from the Contingency Budget **to compensate for the decrease in interest received**, due to general investment market trends (*page 39*).
- **£221k** from additional repayments received on the Heritable Bank investment ("Icelandic" debt) to the **Invest To Save Reserve** (*page 39*).
- **£851k** from the one-off "surplus" of collectable Council Tax to the **corporate Redundancy Reserve** (*page 40*).
- **£579k** from the Savings Realised In Advance Budget to a **specific reserve for assisting the 2014/15 Financial Strategy**, and
- **£752k** from the Savings Realised In Advance Budget to the **Invest To Save Reserve** (*page 40*).
- **£90k** from the Contingency Budget to a **specific reserve for the cost of establishing the new Complaints Procedure** (see the item on the agenda), and
- **£164k** from the Contingency Budget to **General Balances** (*page 41*).
- **£295k** from the un-committed budget provision to the **Staff Training Reserve** on a one-off basis (*page 41*).
- **£87k** from the one-off "surplus" on various other corporate budgets to **General Balances** (*page 42*).
- **£1.727m** from the Housing Revenue Account to be set aside, for now, in a **specific reserve**, with a view to applying this **to reduce the pension liability** unavoidably inherited on transferring the housing stock (*page 43*).

1.4 To note the reduction in the level of total specific reserves, and the marginal increase in the Council's general balances during 2013/14.

2. Introduction / Background

2.1 Despite difficult circumstances and sustained tightening, **generally, the final financial position of the Council's departments for 2013/14 confirms that there was effective financial management by the relevant Cabinet Members and the Management Team, together with financial discipline by the department heads and budget managers.**

2.2 Therefore, **the Cabinet is requested to approve the final financial position for 2013/14 to enable the Finance Department to move forward and produce the statutory financial statements**, which are to be presented to the Audit Committee on 10 July 2013.

- 2.3 Financial Regulation 4 specifies the arrangements for transferring resources between accounting years, that is the sums to be “carried forward” at the year-end. **In Appendix 1, the underspend / overspend position of each department is reported to the Cabinet, who will approve the sums to be carried forward.** The Consultancy Department requested to be allowed to carry forward their full £120k underspend into the new financial year, as an exception to the usual £100k limit, due to the service’s commercial nature and unpredictable income levels. The Environment portfolio Cabinet Member will need to convince the Cabinet to formally approve this.
- 2.4 Page 15 of Appendix 2 elaborates on the position of the **schools budgets**, where statute has conferred delegated powers for governing bodies to carry balances forward at the end of the financial year. The county total of schools’ balances has remained consistent at £3.8m in 2013/14. However, the primary sector’s balances have increased to an average 7.3% of their budget allocation, while the secondary sector’s balances have fallen to an average 3.3% of their allocation. We will be publishing detailed annual information regarding individual schools’ balances before long in a ‘Section 52 Statement’. We will also challenging individual schools to justify the need for their balances, and asking school heads to explain their intended use (particularly those with balances exceeding 5% of their budget).
- 2.5 There were gains on several **corporate budget** heads this year, which are summarized on page 43 of Appendix 2. If the net underspend is applied as recommended in paragraph 1.3 above, and in detail on pages 38 - 42 of Appendix 2, the Council’s **general balances** will have risen £351k to £8.4m as at 31/03/2014. Nevertheless, members will recall that £1.7m of these general balances have already been used this year in the 2014/15 Financial Strategy. However, it should be noted that **through effective control over its budgets in 2013/14, the Council will have succeeded in dealing with several financial issues during the year, as well as allocating budget provision to respond to other problems in the future.**
- 2.6 A balance of £1.727m remained on the Council’s **Housing Revenue Account**, which has now been closed following transfer of the housing stock. During 2013/14, after the statutory period, this balance was transferred to the Council’s general account. For now, it is recommended this balance is set-aside in a specific reserve, with a view to applying this to reduce the pension liability unavoidably inherited on transferring the housing stock.
- 2.7 The total of all the Council’s **specific reserves** reduced by £0.5m to £49.4m in 2013/14. While these reserves have been earmarked for specific purposes where we will incur future expenditure, a thorough review of their adequacy has been completed by the Head of Finance. However, considering the current challenging financial climate, we should push to reduce reserves even further. With the Cabinet’s support, they may be challenged further again in 2014/15, with a view to harvesting more to meet the ongoing needs of the Redundancy Reserve and the Invest to Save Reserve. The outcome of this review will be reported to a subsequent meeting of the Cabinet.

- 2.8 **Generally, I can confirm that most departments' budgets have been robustly controlled again this year.** A summary of the final position for every department is outlined in Appendix 1, with the sums to be carried forward in the column on the right hand side of the page, and further details relating to the major issues and areas where significant variances from previously reported figures are contained in Appendix 2, along with specific recommendations. The recommendations for consideration are highlighted above in 1.2 and 1.3, and on pages 8, 33, 35, 38, 39, 40, 41 and 42 of Appendix 2.
- 2.9 Most departments' financial position was broadly neutral, but there was significant strain on the **Housing and Social Services Department's budgets** in the final quarter of the year. Cabinet approval for recommendations submitted here, can resolve the 2013/14 budgetary position and give the 2 new department heads (Children and Young People's Department, and the Adults, Health and Wellbeing Department) may be given a debt-free commencement to the new financial year. However, spending patterns during the fourth quarter of 2013/14 suggest a **need for action, primarily in the Adults' Department, to avoid on-going overspending trends** on home care of older people, learning disability, and mental health budgets in 2014/15. The Corporate Management Team has met with the relevant (current and previous) Department Heads and have been assured that work is underway to identify the reasons behind the recent increase, and that an urgent strategy will be implemented in order to alleviate the situation and attempt to avoid continuation of the overspend.
- 2.10 In the fourth quarter of 2013/14, **improvements in the budgetary position of the Highways and Municipal Department and the Consultancy Department** exceeded the expectations in my previous reports, partly due to the mild winter, along with financial success following steps taken to improve their departmental business arrangements.
- 2.11 In the majority of budgets where there was an overspend in 2013/14, appropriate consideration has been given to the related requirements in the 2014/15 budgetary cycle, and most of that overspend has already been addressed in the financial strategy for 2014/15.
- 2.12 Apart from the Social Services, the position of the rest of Council departments are generally acceptable and (with the agreement of the Cabinet to the recommendations) remaining corporate resources may be earmarked to reinforce the Redundancy Reserve, the Invest to Save Reserve, and the Staff Training Reserve, as well as making a one-off allocation to establish a new complaints procedure.

3. Next steps and timetable

- 3.1 The Chief Finance Officer has to certify the statutory financial statements for 2013/14 by 30 June. Whilst appreciating that this is a challenging timetable, I would like to thank everyone who has contributed in this process.
- 3.2 The purpose of this report is to detail the outturn position relating to underspends and overspends within individual Departments and the Council's expenditure as a whole for 2013/14, and to consider the information in this report, in order to reflect that position in the final accounts.
- 3.3 The position reflected here is based on the latest information, and in bringing the accounts closure process to a conclusion, there could be some further changes. However, no significant change in the general position is anticipated.
- 3.4 The Finance Department will produce the 2013/14 statutory financial statements for certification by the Head of Finance by 30 June and submission for scrutiny by the Audit Committee on 10 July.

Local member's views

Not relevant

Opinion of the Statutory Officers

Chief Executive:

Nothing to add. The report summarises the position with regard to financial management during the year and recommends wise use of one-off resources.

Monitoring Officer:

Nothing to add regarding propriety.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the accuracy of the content.

Appendices

Appendix 1 - the final underspend / overspend position of each department

Appendix 2 - budgetary issues and areas where significant variances occurred

Revenue Budget 2013/14 - Summary of the position by Department

	Final Review			<u>Comparative Figures</u>
	Gross Over / (Under) Expenditure 2013/14 £ '000	Transfers to/(from) Reserves or Balances £ '000	Net Over / (Under) Expenditure £ '000	Third Quarter Review Net Over / (Under) Expenditure £ '000
Social Services, Housing and Leisure	424	(424)	0	360
Education	(6)	0	(6)	283
Economy and Community	(16)	0	(16)	33
Highways and Municipal	27	0	27	325
Regulatory (Planning, Transportation and Public Protection)	(58)	0	(58)	(16)
Gwynedd Consultancy	(120)	0	(120)	(97)
Human Resources	(1)	0	(1)	(3)
Finance	(17)	0	(17)	(16)
Democracy and Legal	(61)	0	(61)	28
Customer Care	(34)	15	(19)	(31)
Strategic and Improvement	(91)	0	(91)	(83)
Corporate Management Team	0	0	0	0
Corporate Budgets	(4,609)	4,609	0	(4,279)
Totals (net)	(4,562)	4,200	(362)	(3,496)

REVENUE BUDGET 2013/14 - FINAL REVIEW

Summary of the Position of the Social Services, Housing and Leisure	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Children and Families Service -						
Operational Service	1,816	1,918	102	0	102	63
Children Support Services	7,724	7,380	(344)	0	(344)	(314)
Post 16 Service	920	1,068	148	0	148	111
Other (Children and Families)	2,864	2,820	(44)	0	(44)	44
Total Children and Families Service	13,324	13,186	(138)	0	(138)	(96)
Adults Service						
Older People's Services	18,354	18,757	403	0	403	156
Physical Disabilities Services	1,937	1,867	(70)	0	(70)	(2)
Learning Disabilities Service	12,744	12,912	168	0	168	200
Mental Health Services	3,205	3,214	9	0	9	(55)
Other (Adults)	2,698	2,686	(12)	0	(12)	(10)
Total Adults Services	38,938	39,436	498	0	498	289

(continues below)

REVENUE BUDGET 2013/14 - FINAL REVIEW

Summary of the Position of Social Services, Housing and Leisure	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Housing Service						
Housing Service	1,589	1,512	(77)	0	(77)	(12)
Total Housing Service	1,589	1,512	(77)	0	(77)	(12)
Provider Service (net position)	(591)	(383)	208	0	208	175
Leisure Services	2,133	2,184	51	0	51	113
Other (Provider and Leisure)	(206)	(184)	22	0	22	19
Central Services (Social Services, Provider and Leisure)	3,802	3,662	(140)	0	(140)	(128)
General	0	0	0	(424)	(424)	0
Total Social Services Department, Housing and Leisure	58,989	59,413	424	(424)	0	360

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE**

Children and Families Service		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	Operational Service	£'000	£'000	£'000	£'000	£'000	£'000
		1,816	1,918	102		102	63

Increase of £39k from the previous overexpenditure position, mainly due to additional requirements on a number of cases associated with court cases.

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	Children Support Services	£'000	£'000	£'000	£'000	£'000	£'000
		7,724	7,380	(344)		(344)	(314)

Minor further underspend during the quarter on several headings.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE****Children and Families Service**Area:- **Post 16 Service**

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
920	1,068	148		148	111

Increase of £37k in overspend since the third quarter, due to a number of new cases.

Area:- **Other (Children and Families)**

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
2,864	2,820	(44)		(44)	44

Net position includes a number of variances on several headings, especially underspend of (£24k) on Specialist Services (increase of (£32k) since the third quarter), underspend of (£31k) on Youth Justice Services (increase of (£16k) since the third quarter), and overspend of £19k on Other Services (reduction of (£34k) from the overspend of £53k anticipated in the third quarter review).

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE**

Adults Service		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	Older People's Services	£'000	£'000	£'000	£'000	£'000	£'000
		18,354	18,757	403		403	156

Significant increase £246k in overspend during the last quarter, across several headings. Residential and Nursing showing net overspend of £403k (increase of £85k in the last quarter due to reduction in income), and overspend of £6k on Home Care (change of £169k of the net underspend of (£175k) anticipated in the third quarter).

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	Physical Disabilities Services	£'000	£'000	£'000	£'000	£'000	£'000
		1,937	1,867	(70)		(70)	(2)

Increase (£68k) in the final net underspend position, including a reduction (£52k) in expenditure on Home Care and reduction (£10k) in expenditure on Support and Other Schemes.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE**

Adults Services		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	Learning Disabilities Service	£'000	£'000	£'000	£'000	£'000	£'000
		12,744	12,912	168		168	200

Reduction (£32k) to the £200k overspend anticipated in the third quarter, and the final position includes £42k overspend on Residential and Nursing (reduction (£44k)), overspend £242k on Day Services (increase of £50k in the last quarter), and underspend (£135k) on Supporting Schemes (increase (£40k) in the last quarter).

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	Mental Health Services	£'000	£'000	£'000	£'000	£'000	£'000
		3,205	3,214	9		9	(55)

Reversal of £64k from the overspend position anticipated in the previous quarter, with three new Residential and Nursing cases contributing £38k to the change, and three new Support Accommodation locations adding another £22k.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE**

Area:-	Other (Adults)	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		2,698	2,686	(12)		(12)	(10)

Area:-	Housing Service	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Housing Service		£'000	£'000	£'000	£'000	£'000	£'000
		1,589	1,512	(77)		(77)	(12)

Increase (£65k) from the previous underspend position, including underspend (£32k) on Private Sector Housing due to attracting additional income and underspend (£19k) on Homelessness Services due to success in relocating cases more cost-effectively.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE**

Area:-	Provider Service (net position)	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		(591)	(383)	208		208	175

Final position indicates overspend of £140k on Residential Care (increase of £5k in the last quarter), and this following the receipt of additional budget of £150k by the Cabinet in the third quarter due to additional costs as a result of employment appeals. A review of relevant staffing arrangements is in the pipeline to resolve the general overspend position. In addition this heading also includes a final overspend of £81k on Community Care (increase of £24k in the last quarter), with significant travelling costs continuing to be a problem for the service.

In addition, final overspend of £15k on Supported Accommodation and underspend of (£27k) on Day Care.

Area:-	Leisure Services	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		2,133	2,184	51		51	113

Reduction (£62k) in overspend that brings the final position down to £51k. In Leisure facilities there was a deficit of £106k through a combination of insufficient income from food sales and loss due to food waste, however additional income was received (£51k) (increase of £17k since the previous quarter) in fees for using the centre facilities. In addition, there was an underspend (£1k) on Sports Development, a reduction of £20k since the previous quarter.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE**

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	Other (Provider and Leisure)	£'000	£'000	£'000	£'000	£'000	£'000
		(206)	(184)	22		22	19

The final position is fairly consistent with the forecast in the third quarter.

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	Central Services (Social Services, Provider and Leisure)	£'000	£'000	£'000	£'000	£'000	£'000
		3,802	3,662	(140)		(140)	(128)

Minor increase (£12k) in the underspend position, mainly due to more one-off staffing savings.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: SOCIAL SERVICES HOUSING AND LEISURE**

General		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-		£'000	£'000	£'000	£'000	£'000	£'000
	Dealing with the Final Overspend Position	0	0	0	(424)	(424)	0

Final position for the year shows the total departmental overspend of £424k.

In order to clear the overspend and give the two new heads a clean slate, it is **recommended** that the situation is dealt with by:-

- Use of departmental underspend fund (£32k)
- Use of corporate fund set aside for possible overspend in the field of Social Services (£262k)
- Use of part of the one-off savings following the re-structuring of senior management of the former departments of Social Services, Provider and Leisure (£130k).

Area:- **Implications of the overspend position 2013-14 and 2014-15**

It is estimated that if some of the overspend trends reported above continue throughout the 2014-15 year, then this would entail an additional expenditure requirement of £1,452k.

The Corporate Management Team has met with the Head of Adults and has received assurance that work is in the pipeline to identify the reasons behind the recent increase and an emergency strategy will be in place to alleviate the situation and try to avoid a situation of overspend.

REVENUE BUDGET 2013/14 - FINAL REVIEW

Summary of the Position of the Education Department	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Transport	4,369	4,394	25	0	25	53
Redundancy and Early Retirement	1,307	1,598	291	0	291	289
Integration of Pupils with Additional Learning Needs (ALN)	101	128	27	0	27	0
Out-of-county ALN Pupils	1,056	1,050	(6)	0	(6)	0
Catering and cleaning	398	456	58	0	58	54
Early Years' Unit	786	717	(69)	0	(69)	(50)
Welsh in Education	312	357	45	0	45	0
Management Arrangements	1,324	1,096	(228)	0	(228)	(91)
Additional Learning Needs Units	1,126	1,094	(32)	0	(32)	37
Inclusion Strategy	694	601	(93)	0	(93)	25
Other	291	267	(24)	0	(24)	(34)
Delegated Schools	71,196	71,196	0	0	0	0
Education Department Total	82,960	82,954	(6)	0	(6)	283

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: EDUCATION**

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-		£'000	£'000	£'000	£'000	£'000	£'000
	Transport	4,369	4,394	25		25	53

Reduction of £28k in the overspend anticipated in the third quarter, mainly due to the requirements of transport contracts were less than expected.

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-		£'000	£'000	£'000	£'000	£'000	£'000
	Redundancy and Early Retirement	1,307	1,598	291		291	289

Final picture is fairly consistent with the position anticipated in the third quarter, when it was reported that there would be an overspend due to additional cases of redundancies in schools.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: EDUCATION**

Area:-		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
	Integration of Pupils with Additional Learning Needs (ALN)	101	128	27		27	0

Although the final position shows a net overspend of £27k only, during the year there was an increase in the number of pupils who received the relevant statement. Over the whole year, the gross overspend increased to £132k, but it was kept down to £27k in 2013-14 by using the reserve fund for this purpose. Consequently, the Education Department will have to keep a tight rein on this service in order to avoid a situation of overspend in the future.

Area:-		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
	Out-of-county ALN Pupils	1,056	1,050	(6)		(6)	0

Semi neutral position.

Area:-		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
	Catering and cleaning	398	456	58		58	54

There was a minor increase from the overspend anticipated in the third quarter. There were several headings within this service showing variances by the end of the year, including an overspend of £84k on Catering staff and food costs together with a reduction in income of £66k.

Again, the Education Department will have to keep a tight rein on this budget to avoid a situation of overspend in the future.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: EDUCATION**

Area:-	Early Years' Unit	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		786	717	(69)		(69)	(50)

Minor progress from the underspend anticipated in the third quarter review, mainly as additional income received.

Area:-	Welsh in Education	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		312	357	45		45	0

In the context of gross expenditure of £700k, there was a net overspend of £45k by the end of the year, mainly due to higher supply staff expenditure.

Area:-	Management Arrangements	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		1,324	1,096	(228)		(228)	(91)

Increase of (£137k) in the net underspend position, mainly due to (£53k) one-off staff turnover savings together with additional income received of (£83k).

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: EDUCATION**

Area:-		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
	Additional Learning Needs Units	1,126	1,094	(32)		(32)	37

Improvement (£69k) on the third quarter position, with a mixture of variances over a number of fields, including staff turnover savings of (£43k) by the Cognition and Learning Team, (£38k) additional income for Early Years' Observation Team and increased expenditure of £8k by the Music Therapy Service.

Area:-		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
	Inclusion Strategy	694	601	(93)		(93)	25

Improvement (£118k) on the third quarter position, mainly due to (£30k) of staff turnover savings, together with additional cross-unit income of (£88k).

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: EDUCATION**

Area:-	Other	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		291	267	(24)		(24)	(34)

Net underspend position on several headings, including overspend on Schools' Efficiency Scheme, saving on annual Welsh Joint Education Committee agreement and underspend on Classes Fund.

Area:-	Delegated Schools	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		71,196	71,196	0		0	0

Budgets where management has been delegated to governing bodies.
 I note that the situation with School Balances at the end of 2013/14 was as follows:-
 - Primary Schools has increased £284k to £2.6m (7.3% of primary budget allocation)
 - Secondary Schools has reduced £333k to £1.1m (3.3% of secondary budget allocation)
 - Special Schools have improved £73k to £70k (3.2% of the special schools budget allocation)
 Total £3.8m (equivalent to 5.5% of schools receipts for 2013/14).

REVENUE BUDGET 2013/14 - FINAL REVIEW

Summary of the Position of the Economy and Community Department	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Maritime	(389)	(250)	139	0	139	129
Country Parks	78	91	13	0	13	11
Business Support	(90)	(153)	(63)	0	(63)	(64)
Skills and Entrepreneurship	66	23	(43)	0	(43)	(40)
Youth Service	1,018	963	(55)	0	(55)	(24)
Other	3,117	3,110	(7)	0	(7)	21
Total Economy Department	3,800	3,784	(16)	0	(16)	33

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: ECONOMY AND COMMUNITY**

Area:- Maritime		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		(389)	(250)	139		139	129

When establishing the 2013-14 budget, the income target for Hafan Pwllheli was reduced by £109k, and the income target for Harbours was reduced by £45k. However, by the end of 2013/14 there was a net deficit of £139k, as the Hafan income was £251k short of the target, and the Department had reduced expenditure on several headings (£105k) to alleviate the situation. The income target of the Hafan for 2014-15 has already been reduced by a further £180k and it is trusted that income can be increased following the dredging of the harbour and improvement in the economy.

Area:- Country Parks		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		78	91	13		13	11

Position of marginal overspend that includes overspend of £11k on Parc Glynllifon, mainly due to the lack of income and also overspend at Parc Padarn.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: ECONOMY AND COMMUNITY****Area:- Business Support**

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
(90)	(153)	(63)		(63)	(64)

Final position consistent with what was anticipated in the third quarter, including underspend (£25k) on Business Grants, (£20k) additional income for Industrial Units, underspend of (£60k) by the Assets Team (due to achieving prior savings), and £37k of additional expenditure on Neuadd Dwyfor.

Area:- Skills and Entrepreneurship

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
66	23	(43)		(43)	(40)

Final underspend position fairly consistent with the previous forecast, mainly due to one-off staff turnover savings.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: ECONOMY AND COMMUNITY**

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-		£'000	£'000	£'000	£'000	£'000	£'000
Youth Service		1,018	963	(55)		(55)	(24)

Since the third quarter, there has been an increase (£31k) in underspend to the final position of (£55k), mainly due to underspend on youth clubs, following a period of closing some clubs during the last quarter due to staff shortage. It was also possible to attract more income during this period.

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-		£'000	£'000	£'000	£'000	£'000	£'000
Other		3,117	3,110	(7)		(7)	21

Semi neutral position that refelects minor variances on several budget headings.

REVENUE BUDGET 2013/14 - FINAL REVIEW

Summary of the Position of the Highways and Municipal Department (inc. Trunkroads Agency)	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Waste Disposal	3,513	3,651	138	0	138	128
Transfer and Treatment Sites	1,319	1,406	87	0	87	87
Waste Collection & Recycling	2,891	2,954	63	0	63	108
Commercial Waste	302	172	(130)	0	(130)	(41)
Disposal Sites	(1,292)	(1,232)	60	0	60	65
Recycling Centres	1,052	1,072	20	0	20	7
Other (Waste)	440	420	(20)	0	(20)	(2)
Total Relating to Waste	8,225	8,443	218	0	218	352
Highways & Lighting	9,173	9,100	(73)	0	(73)	(14)
Bereavement Service	2	(32)	(34)	0	(34)	(26)
Street Cleaning	2,204	2,131	(73)	0	(73)	16
Pont Aber, Caernarfon	73	101	28	0	28	19
Other	2,613	2,574	(39)	0	(39)	(22)
Total Highways and Municipal	22,290	22,317	27	0	27	325

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT : HIGHWAYS AND MUNICIPAL****Waste Area****Area:- Waste Disposal**

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
3,513	3,651	138		138	128

Final position that is fairly consistent with the forecast in the third quarter, including higher transport costs of £16k in the last quarter.

Area:-**Transfer and Treatment Sites**

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
1,319	1,406	87		87	87

Final position consistent with the forecast in the third quarter. Overspend is due to a failure to achieve various income targets, however the situation was alleviated somewhat by using the favourable position with other budgets within the Department.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL****Waste Area****Area:- Waste Collection & Recycling**

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
2,891	2,954	63		63	108

There was a reduction (£45k) in the anticipated overspend in the third quarter. The final position includes overspend of £132k on costs dealing with rubble, timber and green waste materials (reduction of (63k)), overspend of £61k in income of commercial waste collection (reduction of (7k)), deficit of £8k in bulky waste income, but also underspend (£220k) on collection costs of recyclable materials (increase of (£153)). In addition, there was an underspend (£30k) on operational costs mainly on transport costs.

Area:-**Commercial Waste**

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
302	172	(130)		(130)	(41)

Increase (£89k) of the underspend position anticipated in the third quarter because of £12k additional income, and reduction of (£77k) in operational costs and disposal costs.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL****Waste Area**

Area:- Disposal Sites

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
(1,292)	(1,232)	60		60	65

Final position fairly consistent with the third quarter forecast, namely final overspend of £60k, mainly due to higher operational costs.

Waste Area

Area:- Recycling Centres

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
1,052	1,072	20		20	7

Overspend position reflects the savings plan not realised during the year.

Area:-

Other (Waste)

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
440	420	(20)		(20)	(2)

Net underspend position (£20k) that includes a number of minor variances.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL**

Area:-	Highways & Lighting	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		9,173	9,100	(73)		(73)	(14)

A combination of underspend, (£40k) on supplies and services, (£62k) of additional income on external contracts, and a mild winter enabled the services to contribute towards alleviating the overspend position on some other services in the Department and achieve an underspend of (£73k) on this heading by the end of the year.

Area:-	Bereavement Service	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		2	(32)	(34)		(34)	(26)

Minor progress in the net underspend position, as a result of receiving additional income.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL**

Area:-	Street Cleaning	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		2,204	2,131	(73)		(73)	16

Improvement (£89k) since the third quarter, mainly due to reduction in operational costs of special events.

Area:-	Pont Aber, Caernarfon	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		73	101	28		28	19

Overspend position, mainly due to higher staffing costs.

Area:-	Other	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		2,613	2,574	(39)		(39)	(22)

Many variances over many other headings, including underspend (£13k) on Open Grounds, underspend (£8k) on General Engineering and underspend (£12k) on Administrative Costs.

REVENUE BUDGET 2013/14 - FINAL REVIEW

Summary of the Position of the Regulatory Department (Planning, Transportation and Public Protection)	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Regulation	197	151	(46)	0	(46)	1
Development Control	418	223	(195)	0	(195)	(31)
Highways and Traffic Safety	439	479	40	0	40	2
Parking Services	(1,269)	(1,165)	104	0	104	31
Public Transport	1,403	1,451	48	0	48	30
Public Protection	1,818	1,754	(64)	0	(64)	(68)
Other	3,121	3,176	55	0	55	19
Regulatory Department Total	6,127	6,069	(58)	0	(58)	(16)

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: REGULATORY**

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-		£'000	£'000	£'000	£'000	£'000	£'000
Regulation		197	151	(46)		(46)	1

Final underspend position of (£46k) as budget was earmarked for specific schemes that have slipped into the new year.

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-		£'000	£'000	£'000	£'000	£'000	£'000
Development Control		418	223	(195)		(195)	(31)

Increase of (£164k) in the net underspend, mainly due to receipt of additional fees of (£132k) in the last quarter, in relation to the development of St Mary's Bangor and housing development at Penrhosgarnedd, Bangor.

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-		£'000	£'000	£'000	£'000	£'000	£'000
Highways and Traffic Safety		439	479	40		40	2

Increase of £38k in the net overspend including additional expenditure of £111k of revenue contributions to the capital programme, one-off staffing savings of (£39k), and underspend of (£39k) on School Crossing Patrols.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: REGULATORY**

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-		£'000	£'000	£'000	£'000	£'000	£'000
Parking Services		(1,269)	(1,165)	104		104	31

There was an increase of £73K in the net overspend in the last quarter to reach a final net overspend of £104k. Amongst a mixture of variations this overspend included a lack of parking fees income of £9k and an additional income receipt from other sources of (£9k). With the enforcement element, there was an overspend of £25k on supplies and services, underspend of (£120k) on operational costs, and final re-payment of £199k on the internal loan to the enforcement service, that will assist the Department to achieve the relevant savings target in 2014/15.

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-		£'000	£'000	£'000	£'000	£'000	£'000
Public Transport		1,403	1,451	48		48	30

Increase of £18k in overspend since the third quarter. The final overspend of £48k includes higher bus contract costs £114k, one-off staffing costs savings of (£34k), and underspend of (£24k) on other general services.

REVIEW BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: REGULATORY**

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-		£'000	£'000	£'000	£'000	£'000	£'000
	Public Protection	1,818	1,754	(64)		(64)	(68)

Final position is fairly consistent with the third quarter, and includes (£21k) of staff savings, underspend (£10k) on supplies and services, and additional income receipt of (£34k).

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-		£'000	£'000	£'000	£'000	£'000	£'000
	Other	3,121	3,176	55		55	19

Net overspend position of £55k that includes additional expenditure of £60k on schemes to restore flooding damage to green paths and rights of way.

REVENUE BUDGET 2013/14 - FINAL REVIEW

Consultancy Department	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Consultancy Service (Roads and Engineering)	(545)	(580)	(35)	0	(35)	43
Flooding Management Risk Unit	530	557	27	0	27	0
Building Unit	(43)	(140)	(97)	0	(97)	(135)
Other	196	181	(15)	0	(15)	(5)
Total Consultancy Department	138	18	(120)	0	(120)	(97)

In accordance with the financial regulations, usually the underspend that can be carried forward at the end of any financial year is limited to (£100k), unless the Cabinet allows an exception in special circumstances.

Having considered the commercial nature of the Department's services, that fluctuate and vary from year to year, it is **recommended** that the Consultancy Department is allowed to carry over the full underspend of £120k to the 2014/15 financial year.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: CONSULTANCY**

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
Area:-	Consultancy Service (Roads and Engineering)	(545)	(580)	(35)		(35)	43

Following a difficult year in 2012/13 the final position for 2013/14 shows a significant financial improvement to a net underspend position of (£35k), that is a movement (£75k) from the position anticipated in the third quarter. Net underspend includes additional fee income of (£184k), and clearing the £104k overspend from the previous year. Following a comprehensive review of the Department's financial processes and arrangements, a relevant operational scheme is in place to try and respond to several findings. Up to now, there has been good progress with the scheme, with many matters implemented fully and others still in the process of being implemented.

		Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
Area:-	Flooding Management Risk Unit	530	557	27		27	0

Overspend position due to additional emergency work undertaken following flooding seen during last winter.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: CONSULTANCY**

Area:-	Building Unit	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		(43)	(140)	(97)		(97)	(135)

A position of (£135k) underspend was anticipated in the third quarter, that has reduced £38k by the end of the year due to a reduction in income fees of £62k, but also savings in staffing costs of (£24k).

Area:-	Other	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
		196	181	(15)		(15)	(5)

REVENUE BUDGET 2013/14 - FINAL REVIEW

Central Services	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	3,104	3,103	(1)	0	(1)	(3)
Finance	3,863	3,846	(17)	0	(17)	(16)
Democracy & Legal	1,701	1,640	(61)	0	(61)	28
Customer Care	7,103	7,069	(34)	15	(19)	(31)
Strategic & Improvement	4,767	4,676	(91)	0	(91)	(83)
Corporate Management Team	925	925	0	0	0	0
Total Central Services	21,463	21,259	(204)	15	(189)	(105)

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: HUMAN RESOURCES**

Area:-	Human Resources	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
	Net Total	3,104	3,103	(1)		(1)	(3)

Final net position that is semi neutral and fairly consistent with the third quarter forecast and includes overspend of £16k on Health and Safety (mainly overspend of £12k on counselling service), and underspend of (£11k) on Support Services, (mainly, one-off staffing savings of (£15k)).

DEPARTMENT: FINANCE

Area:-	Finance	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
	Net Total	3,863	3,846	(17)		(17)	(16)

The final net underspend is fairly consistent with the picture forecast in the previous quarter, and includes further staffing savings of (£13k), additional external income of (£37k) and additional costs on information technology licensing systems of £38k.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: DEMOCRACY AND LEGAL**

Area:-	Democracy & Legal	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
	Net Total	1,701	1,640	(61)		(61)	28

Significant improvement of (£89k) since the third quarter, mainly due to additional income of (£15k) in relation to road and traffic notices, additional income of (£15k) to the Translation Unit, reduction in the overspend of (£30k) in services and supplies by the Printing Unit and a combination of reduction in expenditure and increase in income of (£18k) by the Registration Unit.

DEPARTMENT: CUSTOMER CARE

Area:-	Customer Care	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
	Net Total	7,103	7,069	(34)	15	(19)	(31)

Minor increase (£3k) in the gross underspend level anticipated previously. The gross underspend of (£34k) includes an underspend (£155k) by the IT Unit due to one-off staffing savings as well as managing to attract additional income, underspend (£17k) by the Information Unit due to one-off staffing savings, underspend (£24k) by the Communications Unit stemming mainly from one-off staffing savings.

Against this, an overspend of £93k on the Telephone Service due to failure to achieve "VOIP" savings plan, overspend of £29k by the Emergency Unit, overspend of £10k by the Libraries Service stemming mainly from a lack of income, net overspend of £33k by the Property Unit, and overspend of £18k by Siop Gwynedd due to higher operational costs.

Requests were received from the Cleaning Service to establish a reserve fund for possible redundancy costs in relation to cleaning contracts. Although no relevant developments are anticipated soon, it is considered prudent to use an element of departmental underspend for 2013/14 to establish the fund.

Recommended that a Cleaning Contracts Redundancy Costs Fund is created and contribute £15k from the gross departmental underspend to this fund.

REVENUE BUDGET 2013/14 - FINAL REVIEW**DEPARTMENT: STRATEGIC AND IMPROVEMENT**

Area:-	Strategic & Improvement	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
	Net Total	4,767	4,676	(91)		(91)	(83)

Underspend position (£91k) that is fairly consistent with the picture anticipated in the third quarter, and includes underspend (£39k) by the Strategic Planning Unit that stems mainly from the receipt of additional income incwm of (£25k) by the Information Research Unit, underspend of (£5k) by the Housing Policy Unit, and staffing savings of (£9k) by the Procurement Unit. Underspend of (£39k) was also seen by the Achievement and Supporting Change Service due to one-off staffing savings in the Performance Improvement Unit and underspend of (£19k) by the Achievement Unit due also to one-off staffing savings.

BUDGET OF CORPORATE MANAGEMENT TEAM

Area:-	Corporate Management Team	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
	Net Total	925	925	0		0	0

Final neutral position, as anticipated in the third quarter.

REVENUE BUDGET 2013/14 - FINAL REVIEW

Summary of the Corporate Position	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Cross-departmental Savings Plans	0	0	(321)	321	0	0
Provider cost for possible bad debts	0	0	243	(243)	0	0
Net Interest Receipt	0	0	235	(235)	0	216
Heritable Bank Investment ("Iceland")	0	0	(221)	221	0	(221)
Council Tax	0	0	(851)	851	0	(349)
Savings Budget realised beforehand	0	0	(1,331)	1,331	0	(1,331)
Reserve budget	0	0	(254)	254	0	(552)
Non committed provision in 2013/14	0	0	(295)	295	0	(295)
Other	0	0	(87)	87	0	(20)
Housing Revenue Account	0	0	(1,727)	1,727	0	(1,727)
Corporate Total	0	0	(4,609)	4,609	0	(4,279)

REVENUE BUDGET 2013/14 - FINAL REVIEW**CORPORATE BUDGETS**

Area:-	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
	£'000	£'000	£'000	£'000	£'000	£'000
Cross-departmental Savings Plans			(321)	321	0	0

It was reported to the Cabinet in the second budget review that some corporate savings schemes are unlikely to be fully realised in 2013/14, and the use of (£364k) was approved from the budget 'Savings achieved beforehand' for this purpose. By the end of the financial year it was possible to achieve some further prior savings of (£321k). As part of these on-off savings emanate from re-structuring of senior management of the former Departments of Social Services, Provider and Leisure, see above under the relevant departments, recommendation to use £130k towards the package to clear final Social Services overspend.

It is further **recommended** that the remainder of the underspend (£191k) on this heading is transferred on a one-off basis to the Redundancy Fund, namely to assist with achieving savings for the Council.

Area:-	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
	£'000	£'000	£'000	£'000	£'000	£'000
Provider cost for possible bad debts			243	(243)	0	0

At the end of the financial year, a likely sum has to be identified for the possibility of failing to recover debts. This year this additional cost is above the original provision.

Recommended that this additional cost of £243k is funded from the Reserve Budget.

REVENUE BUDGET 2013/14 - FINAL REVIEW**CORPORATE BUDGETS**

Area:-	Net Interest Receipt	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
				235	(235)	0	216

As reported in the previous reviews, the interest receipt for the year has reduced significantly because of the general situation of the investment market, where interest rates are low. The income target was adapted appropriately when drafting the 2014/15 budget.

Recommended that this reduction of £235k in income is funded from the Reserve Budget.

Area:-	Heritable Bank Investment ("Iceland")	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
				(221)	221	0	(221)

A further re-payment of (£221k) above our prudent assumption in relation to Heritable Bank investment ("Iceland") that brings the percentage of the sum recovered thus far to 94%.

It is **recommended** that this additional re-payment of (£221k) is transferred on a one-off basis to the Investment to Save Fund, to enable investment in different schemes to achieve savings for the Council.

REVENUE BUDGETS 2013/14 - FINAL REVIEW**CORPORATE BUDGETS**Area:- **Council Tax**

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
		(851)	851	0	(349)

Significant increase in the final tax 'remainder' to (£851k). Please remember that there is an expected element of 'remainder' for 2013/14 following the Welsh Government's resolution in January 2013 to (partly) fund the historical levels of assistance (up to 100%) to individuals to pay Council Tax. This followed after the Gwynedd Council's decision to reduce the relevant notional collection rate to 97.5% for 2013/14 (by 2014/15 the notional collection rate was raised back to 99%). In addition, a reduction was seen in the level of anticipated expenditure on Benefits, reduction in the number of taxable exceptions, and a reduction in the level of single discounts compared with the usual. Also, there was a specific exercise to update the council tax accounts in terms of the position of estates of deceased persons. All of this contributes to a very strong position this year, due to several on-off factors for 2013/14.

Recommended to transfer (£851k) on a one-off basis to the Redundancy Fund.

Area:- **Savings Budget realised beforehand**

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
		(1,331)	1,331	0	(1,331)

£364k was released from this heading in the second quarter review, when it was suggested that any balance at the end of the financial year should be earmarked to assist the financial strategy. In addition, as part of the financial strategy for 2014/15, the need to identify £129k and £450k specifically were approved, namely a total of £579k, to come from this source in order to meet the gap in the relevant measures pack.

It is **recommended** that the £579k is transferred to a specific fund to assist the financial strategy for 2014/15 with the remaining £752k to be transferred to the Invest to Save Fund.

REVENUE BUDGET 2013/14 - FINAL REVIEW**CORPORATE BUDGETS**

Area:- Reserve budget

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
		(254)	254	0	(552)

This balance represents the remainder of the Reserve Provision that has not been allocated at the end of the year (following the allocations recommended above).

Recommended to earmark £90k of the balance to a specific fund for the cost of establishing a Complaints Procedure (a matter that is the subject of another report on the agenda of this Cabinet meeting).
It is **recommended** that the remaining £164k is transferred to the Council's general balances.

Area:- Non committed provision in 2013/14

Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
£'000	£'000	£'000	£'000	£'000	£'000
		(295)	295	0	(295)

Remainder of resources not committed during 2013/14.

The majority of the Council's staff training is funded from a fund established for this purpose some years ago, a fund that is now likely to be depleted by the end of 2015/16. In light of the importance of staff training, especially in the period to come, where the demand for training will increase when asking staff to be more flexible in terms of work requirements, it is **recommended** that the opportunity is taken to reinforce the position of the fund by transferring the £295k on a one-off basis to Central Training.

REVENUE BUDGET 2013/14 - FINAL REVIEW**CORPORATE BUDGETS**

Area:-	Other	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
				(87)	87	0	(20)

Final net position that includes a combination of variances differentials, and mainly additional income received.

Recommended to transfer £87k to the Council's general balances.

Area:-	Housing Revenue Account	Revised Budget 2013/14	Final Expenditure 2013/14	Gross Over / (Under) Expenditure	Recommended Adjustments	Net Over / (Under) Expenditure	Quarter 3 Position
		£'000	£'000	£'000	£'000	£'000	£'000
				(1,727)	1,727	0	(1,727)

The balance of £1,727k on the Council Housing Revenue Account that has by now closed further to the transfer of the housing stock. During 2013/14 following the statutory time limit, this balance was transferred to the Council's general account.

It is **recommended** that this balance of £1,727 is set aside for a specific fund with a view of using it to reduce the pension obligations inevitably inherited when transferring the housing stock.

TAFLEN BENDERFYNIAD CABINET Y CYNGOR/ COUNCIL CABINET DECISION
NOTICE

Dyddiad/Date 20140610

PWNC / SUBJECT

Eitem 7 Cyfrifon Terfynol 2013/14 – Alldro Refeniw

Item 7 Final Accounts 2013/14 – Revenue Outturn

PENDERFYNIAD / DECISION

- 1.1 Nodi sefyllfa ariannol derfynol adrannau'r Cyngor am 2013/14.
 - 1.2 Cymeradwyo'r symiau i'w cario 'mlaen, lle'n briodol, fel a restrir yn Atodiad 1 o'r adroddiad, gan gynnwys cymeradwyo i'r Adran Ymgynghoriaeth gael cario'r tanwariant llawn o £120k ymlaen i'r flwyddyn ariannol newydd, fel eithriad i'r arfer o'i gyfyngu i £100k, oherwydd natur masnachol y gwasanaeth a lefel anrhagweladwy ei incwm.
 - 1.3 Cymeradwyo'r trosglwyddiadau ariannol canlynol -
 - £32k o gronfa tanwariant yr Adran Gwasanaethau Cymdeithasol, ynghyd a
 - £262k o gronfa gorfforaethol neilltuwyd ar gyfer gorwariant posib yn y maes, a
 - £130k o'r arbedion un-tro yn dilyn o ail strwythuro uwch reolaeth perthnasol - sef cyfanswm uchod o £424k i glirio gorwariant Gwasanaethau Cymdeithasol yn 2013/14, a rhoi dechrau di-ddyled i'r ddwy bennaeth adran newydd ar gychwyn 2014/15.
 - £15k o danwariant yr Adran Gofal Cwsmer i'w neilltuo er mwyn creu cronfa costau diswyddo penodol, i baratoi ar gyfer newidiadau posibl i gontractau glanhau.
 - £191k o'r tanwariant ar Gynlluniau Arbedion Trawsadrannol ar sail un-tro i'r Gronfa Diswyddo corfforaethol.
 - £243k o'r Gyllideb Wrth Gefn i ariannu cost ychwanegol o ddarparu ar gyfer dyledion drwg.
 - £235k o'r Gyllideb wrth Gefn i wneud iawn am y gostyngiad mewn incwm llog, oherwydd tueddiad cyffredinol y farchnad buddsoddi.
 - £221k o ad-daliad ychwanegol dderbyniwyd ar fuddsoddiad Banc Heritable (dyled "Gwlad yr Ia") i'r Gronfa Buddsoddi i Arbed.
 - £851k o'r "gweddill" un-tro o Dreth Cyngor casgladwy i'r Gronfa Ddiswyddo corfforaethol.
 - £579k o'r Gyllideb Arbedion a Wireddwyd Ymlaen Llaw i gronfa benodol ar gyfer cynorthwyo Strategaeth Ariannol 2014/15, a
-

-
- £752k o'r Gyllideb Arbedion a Wireddwyd Ymlaen Llaw i'r Gronfa Buddsoddi i Arbed.
 - £90k o'r Gyllideb Wrth Gefn i gronfa benodol ar gyfer cost sefydlu'r Drefn Gwynion newydd, a
 - £164k o'r Gyllideb Wrth Gefn i'r Balansau Cyffredinol.
 - £295k o'r darpariaeth oedd heb ei ymrwymo ar sail un-tro i'r Gronfa Hyfforddi Staff.
 - £87k o'r "gweddill" un-tro ar amrywiol benawdau corfforaethol eraill i'r Balansau Cyffredinol.
 - £1.727m o'r Cyfrif Cyllid Tai i'w neilltuo, am y tro, mewn cronfa benodol, gyda golwg ar ei ddefnyddio er mwyn lleihau'r rhwymedigaeth pensiwn a etifeddwyd yn anochel wrth drosglwyddo'r stoc tai.
- 1.4 Nodi'r gostyngiad yn lefel y cyfanswm o gronfeydd penodol, a'r cynnydd ymylol yn lefel balansau cyffredinol y Cyngor yn ystod 2013/14.
- 1.1 *To note the final financial position of the Council's departments for 2013/14.*
- 1.2 *To approve the amounts to be carried forward, where appropriate, as listed in Appendix 1 of the report, including approval for the Consultancy Department to be allowed to carry forward the full £120k underspend into the new financial year, as an exception to the usual £100k limit, due to the commercial nature of the service and their unpredictable level of income.*
- 1.3 *To approve the following financial transfers -*
- *£32k from the Social Services Department's accrued underspend, along with*
 - *£262k from the corporate reserve earmarked for potential overspend in this field, and*
 - *£130k from the one-off savings following a restructuring of relevant senior management – - to clear Social Services' £424k overspend in 2013/14, and give the two new heads of department a debt-free start at the commencement of 2014/15.*
 - *£15k of the Customer Care Department's underspend to be set-aside in order to create a specific redundancy costs reserve, to prepare for possible changes to cleaning contracts.*
 - *£191k from the underspend on Cross-Departmental Savings Plans on a one-off to the corporate Redundancy Reserve.*
 - *£243k from the Contingency Budget to fund the additional cost of providing for bad debts.*
 - *£235k from the Contingency Budget to compensate for the decrease in interest received, due to general investment market trends.*
 - *£221k from additional repayments received on the Heritable Bank investment ("Icelandic" debt) to the Invest to Save Reserve.*
 - *£851k from the one-off "surplus" of collectable Council Tax to the corporate Redundancy Reserve.*
 - *£579k from the Savings Realised in Advance Budget to a specific reserve for*
-

-
- assisting the 2014/15 Financial Strategy, and*
- £752k from the Savings Realised in Advance Budget to the Invest to Save Reserve.
 - £90k from the Contingency Budget to a specific reserve for the cost of establishing the new Complaints Procedure, and
 - £164k from the Contingency Budget to General Balances.
 - £295k from the un-committed budget provision to the Staff Training Reserve on a one-off basis.
 - £87k from the one-off "surplus" on various other corporate budgets to General Balances.
 - £1.727m from the Housing Revenue Account to be set aside, for now, in a specific reserve, with a view to applying this to reduce the pension liability unavoidably inherited on transferring the housing stock.

1.4 To note the reduction in the level of total specific reserves, and the marginal increase in the Council's general balances during 2013/14.

Rhesymau dros y penderfyniad / Reason for the decision:-

Er gwaethaf amgylchiadau anodd a thynhau parhaus, yn gyffredinol, mae sefyllfa ariannol derfynol adrannau'r Cyngor am 2013/14 yn cadarnhau y bu rheolaeth ariannol effeithiol gan yr Aelodau Cabinet perthnasol a'r Tîm Rheoli, ynghyd â disgyblaeth ariannol gan benaethiaid adrannau a rheolwyr cyllidebau.

Yn gyffredinol, bu cyllidebau rhan fwyaf adrannau'r Cyngor dan reolaeth gadarn eto eleni. Roedd sefyllfa ariannol mwyafrif yr adrannau yn lled niwtral, ond bu straen sylweddol ar gyllidebau'r Adran Tai a Gwasanaethau Cymdeithasol yn chwarter olaf y flwyddyn.

Ym mhedwerydd chwarter 2013/14, fe wnaeth gwelliannau yn sefyllfa cyllidebau'r Adran Priffyrdd a Bwrdeistrefol a'r Adran Ymgynghoriaeth ragori ar y disgwyladau, yn rhannol oherwydd y gaeaf mwyn (Adran Priffyrdd a Bwrdeistrefol), ynghyd â llwyddiant ariannol yn dilyn camau a gymerwyd i wella trefniadau busnes adrannol yr Adran Ymgynghoriaeth.

Ym mwyafrif y cyllidebau lle bu gorwariant yn 2013/14, rhoddwyd ystyriaeth briodol i'r anghenion perthnasol ynghylch cyllidebu 2014/15, ac mae mwyafrif y gorwariant hynny eisoes wedi'i gyfarch yn y strategaeth ariannol ar gyfer 2014/15.

Ar wahân i Gwasanaethau Cymdeithasol, mae sefyllfa gweddill adrannau'r Cyngor yn gyffredinol dderbyniol a gellid neilltuo'r adnoddau corfforaethol sydd ar ôl i atgyfnerthu'r Gronfa Ddiswyddo, y Gronfa Buddsoddi i Arbed, a'r Gronfa Hyfforddi Staff, yn ogystal â gwneud dyraniad un-tro er mwyn sefydlu Trefn Gwynion newydd.

Despite difficult circumstances and sustained tightening, generally, the final financial position of the Council's departments for 2013/14 confirms that there was effective financial management by the relevant Cabinet Members and the Management Team, together with financial discipline by the department heads and

budget managers.

Generally, the budgets of most of the Council's department have been under firm control this year again. The financial situation of the majority of departments was broadly neutral, but there was significant strain on the budgets of the Housing and Social Services Department in the final quarter of the year.

In the fourth quarter of 2013/14, improvements in the budgetary position of the Highways and Municipal and Consultancy Departments exceeded expectations, partly due to the mild winter (Highways and Municipal Department), and financial success following steps taken to improve departmental business arrangements of the Consultancy Department.

In the majority of budgets where there was an overspend in 2013/14, appropriate consideration has been given to the related requirements in the 2014/15 budgetary cycle, and most of that overspend has already been addressed in the financial strategy for 2014/15.

Apart from the Social Services, the position of the rest of the Council departments is generally acceptable and remaining corporate resources may be earmarked to reinforce the Redundancy Reserve, the Invest to Save Reserve, and the Staff Training Reserve, as well as making a one-off allocation to establish a new complaints procedure.

Sylwadau neu bwyntiau croes / Observations or opposing views:-

Yn dilyn cyflwyno'i adroddiad, roedd yr Aelod Cabinet Adnoddau am ddiolch i staff gwasanaethau oedd wedi cyfrannu at yr adroddiad cynhwysfawr hwn. Eglurwyd bod yr adroddiad hwn yn dangos rheolaeth ariannol hynod effeithiol a bod y diwylliant o dynhau rheolaeth gyllidol yn mynd i fod yn hynod o werthfawr yn y cyfnod sydd i ddod. Mynegwyd pryder am ddemograffi'r Sir a'r galw sydd ar yr adran Gwasanaethau Cymdeithasol i ymdrin ag achosion cymhleth. Nodwyd bod yr adran am gymryd camau penodol i ymchwilio yn ofalus i'r rhesymau dros y gorwariant, bod llawer o waith wedi'i wneud eisoes a bod mwy fyth angen ei wneud er mwyn llawn ddeall y sefyllfa. O ystyried yr holl newidiadau diweddar, trafodwyd y syniad o gael adroddiadau chwe misol gan yr Adran Gwasanaethau Cymdeithasol er mwyn rhoi gwybodaeth am y datblygiadau o fewn yr adran.

Following the submission of his report, the Cabinet Member for Resources wished to thank the staff of the services that contributed to this comprehensive report. It was explained that the report demonstrated very effective financial control and that the culture of tightening financial control would be very valuable in coming years. Concern was expressed regarding the County's demography and the demand on the Social Services department to deal with complex cases. It was noted that the department would take specific steps to carefully investigate the reasons for the overspend, that considerable work had already been undertaken and there was now an even greater need to undertake the work in order to ascertain the situation. Given all of the recent changes, the idea of receiving a report every six months from the Social Services Department was considered in order to receive information on developments within the department.

MEETING: **AUDIT COMMITTEE**

DATE: **15 July 2014**

TITLE: **STATEMENT OF ACCOUNTS 2013/14**

PURPOSE / RECOMMENDATION: **To receive the statutory Statement of Accounts (pre-audit draft) for information**

AUTHOR: **Dafydd L Edwards, Head of Finance**

CABINET MEMBER: **Councillor Peredur Jenkins**

1. INTRODUCTION

- 1.1 This report introduces the statutory Statement of Accounts for the 2013/14 financial year, which provides details of the Council's financial activities during the year which ended on 31 March 2014.
- 1.2 The following document is the draft Statement of Accounts in its statutory format, 121 pages long in each language. A link to the Statement was sent to all elected members and chief officers of the Council on 1 July 2014.
- 1.3 The draft accounts presented here have yet to be audited, so it is possible that some changes may be necessary before a final version is submitted for approval at the 25 September 2014 meeting of the Audit Committee.
- 1.4 The basic form and content of these Statements is prescribed under regulation 7 of the Accounts and Audit (Wales) Regulations 2005 and revisions thereto, as well as other national regulations and standards. Several requirements of the IFRS (International Financial Reporting Standards) are based on Code of Practice on Local Authority Accounting and apply to the Council's Statement of Accounts for 2013/14. As the regulations require statements in a standard format, comparisons with other bodies' accounts are facilitated, but the statements have now become technically complex and difficult to understand.
- 1.5 Simple summary reports regarding the 2013/14 accounts were presented to the Cabinet meeting of 10 June 2014. That report (which is an earlier item on the agenda of this Audit Committee meeting) was more useful for internal / management purposes, while the Statement of Accounts is more suited for external / governance purposes.

2. ACTION REQUIRED

- 2.1 The Audit Committee are “those charged with governance” on behalf of the Council, and approved the draft (subject to audit) statement of accounts prior to 2009/10. However, revisions in 2010 to the Accounts and Audit Regulations gave the Statutory Finance Officer (the Head of Finance in Gwynedd Council) responsibility for approving and certifying the draft accounts before 30 June.
- 2.2 There is no longer any requirement for elected members to approve the draft version of the Council’s Statement of Accounts, but this is presented to the Audit Committee FOR INFORMATION as good practice.
- 2.3 Doubtless, the committee’s members will wish to consider and understand the content in preparation for approving the final version in September, and to equip themselves with information to consider matters being audited in their context.

3. SUBSEQUENT STEPS

- 3.1 Further to certification by the Head of Finance and consideration by the Audit Committee, the Statement of Accounts for 2013/14, with all other relevant financial statements, will be the subject of the annual audit process by the Wales Audit Office.
- 3.2 In accordance with regulations 13 and 15 of the Accounts and Audit (Wales) Regulations 2005, the Council will also notify the public, via the local press, that the accounts are available for inspection for a 20 working day period. As part of the audit process, during the period from 01/08/14 until 29/08/14, local government electors also have the opportunity to question the external auditor about the Council’s accounts.
- 3.3 As noted in paragraph 1.3 (above), the final (audited) version of the Council’s 2013/14 Statement of Accounts will be submitted to the 25 September 2014 meeting of the Audit Committee FOR APPROVAL, along with the report of the Auditor appointed by the Wales Audit Office (Anthony Barrett).
- 3.4 Subsequently, it is the Finance Department’s intention to provide a link to the final Statement to all elected members and all chief officers of the Council, as well as other interested parties.

4. RECOMMENDATION

- 4.1 The Audit Committee is asked to receive and note the Council’s Statement of Accounts (subject to audit) 2013/14.

**STATEMENT OF
ACCOUNTS
2013/14**

SUBJECT TO AUDIT

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EXPLANATORY FOREWORD

Introduction

Gwynedd Council's accounts for the year 2013/14 are presented here on pages 8 to 115.

The Accounts consist of:-

- **Movement in Reserves Statement** - This statement shows the movement in year on the different reserves held by the Authority, analysed into 'usable reserves' and 'unusable reserves'. The taxation position is reflected in the Movement in Reserves Statement.
- **Comprehensive Income and Expenditure Statement** - This is the Council's main revenue account. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** - Sets out the financial position of the Council on 31 March 2014.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2013/14 for revenue and capital purposes.
- **The Welsh Church Fund and FMG Morgan Trust Fund Accounts.**
- **The Gwynedd Pension Fund Accounts and Balance Sheet.**

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

REVENUE EXPENDITURE IN 2013/14

- The Comprehensive Income and Expenditure Statement on page 9 shows that the Council's gross revenue expenditure on 'Cost of Services' level was £359m during 2013/14, with the net position as £234m.
- The financial out-turn position for 2013/14 was reported to the Cabinet at its meeting on 10 June 2014. The members of the Cabinet approved the carry forward of net service underspends of £362k for the year, the net transfer of £3.848m to earmarked reserves, and the net transfer of £352k to General Balances.

TABLE I – Budget and Actual Comparison Summary (Net)

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

	Budget	Actual	Variance
	£'000	£'000	£'000
Net Expenditure on Operations	246,877	247,366	489
Departmental Carry Forward at year end	0	362	362
	<hr/>	<hr/>	
	246,877	247,728	851
Financed by -			
Council Tax Income	(65,244)	(66,095)	(851)
Share of National Non-Domestic Rate	(38,209)	(38,209)	0
General Government Grants	(143,424)	(143,424)	0
	<hr/>	<hr/>	
	0	0	0

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

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

Department	Performance Report	Transposition Adjustment	Income & Expenditure Statement
	£'000	£'000	£'000
Human Resources	63	(59)	4
Finance	1,336	(1)	1,335
Democracy and Legal	638	0	638
Customer Care	2,279	(3)	2,276
Strategic and Improvement	883	46	929
Education	101,952	(81)	101,871
Economy and Community	6,809	49	6,858
Highways and Municipal	26,275	(1,044)	25,231
Regulatory (Planning, Transport and Public Protection)	11,421	(466)	10,955
Gwynedd Consultancy	1,407	(143)	1,264
North & Mid Wales Trunk Road Agency	35	8	43
Provider and Leisure	6,514	(54)	6,460
Housing and Social Services	64,671	(9)	64,662
Corporate Management Team	0	0	0
Corporate	13,122	(1,471)	11,651
Reserves	3	0	3
Cost of Services	237,408	(3,228)	234,180
Other (Contains Centralised and Corporate Adjustment)	10,320	3,228	13,548
Total	247,728	0	247,728

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

- Full standard Income and Expenditure format analysis is contained on page 9.
- Full analysis of amounts reported for resource allocation decisions is contained within Note 30, page 62.
- Service Reporting Code of Practice (SeRCOP) Analysis is contained within Appendix A.
- **Material Items of Income and Expenditure**

Related items include:-

- A movement of £22m on pensions, on the remeasurements of the net defined benefit liability (assets), in line with Gwynedd Council’s Actuary’s assessment (Note 42).
- An increase of £9m in the value of asset impairment, relating to the substantial expenditure on school’s capital scheme (Note 15).
- An increase of £5m in National Non-Domestic Rates, by Welsh Government in comparison with the previous year’s allocation (Note 13b).
- **Impact of Current Economic Climate**

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

CAPITAL EXPENDITURE IN 2013/14

Capital expenditure for 2013/14 amounted to £41m. The following table gives an analysis of this expenditure and the way it was financed.

SUMMARY OF CAPITAL EXPENDITURE AND FINANCING		
2012/13		2013/14
£'000		£'000
74	Human Resources	35
6,275	Education	8,630
0	North & Mid Wales Trunk Road Agency	0
16	Finance	38
276	Provider and Leisure	0
5,502	Economy and Community	5,199
0	Democracy and Legal	0
6,966	Customer Care	8,536
3,802	Housing and Social Services	0
	Social Services, Housing and Leisure	3,373
6,753	Highways and Municipal	8,690
8,633	Regulatory	6,360
4	Strategic and Improvement	14
24	Council Houses	4
28	Gwynedd Consultancy	582
0	Corporate	0
38,353		41,461
	FINANCED BY -	
10,914	Borrowing	10,664
19,170	Grants and Contributions	18,904
2,344	Capital Receipts	1,377
5,925	Revenue and Other Funds	10,516
38,353		41,461

- Revenue Expenditure Funded from Capital Under Statute of £6,221,680 is included in the above table. This has been charged to the Income and Expenditure Account in the year. Total expenditure on Non-current Assets and Assets Held for Sale was £34,007,990 as shown in Note 15 and 22 on pages 41 to 43 and 54.
- The Council's Loan Debt on 31 March 2014 was £113.1m – a reduction of £0.8m (from £113.9m) during the year. Repayments of £1.1m were made in accordance with the terms of individual loans.

Provisions and Reserves

In addition to General Balances of £8.4m, the Council had other provisions (as defined) of £11.3m, earmarked reserves of £49.8m and school balances of £3.8m, totalling £73.3m. These are detailed in the Balance Sheet, Movement in Reserves Statement and in Notes 10 and 24.

Pension Fund

The Council (as an employer) has a net liability from its share of the assets and liabilities of the Gwynedd Pension Fund, which has been calculated in accordance with International Accounting Standard 19. The Balance Sheet contains an assessment by the Fund's Actuary, Hymans, of the Council's share of the Pension Fund liability. This net liability has increased by £22,828,000 to £191,006,000 in 2013/14. Refer to Note 42 for further information.

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

Gwynedd Pension Fund

The Gwynedd Pension Fund Accounts (pages 84 to 115) show an increase during the year of £116.7m in the market value of the net assets of the Fund, to £1,309.6m. The book value of the net assets at 31 March 2014 was £994.4m (2013: £939.6m).

Accounting Policies

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

Changes in Accounting Policies and to the Statement of Accounts

There have been a number of significant changes relating to IAS 19 Employee Benefits, resulting in changes in accounting practices and related policies.

FURTHER INFORMATION

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

Further information relating to the accounts is available from:

William E Jones
Senior Finance Manager
01286 679406

or

Ffion Madog Evans
Finance Manager - Resources and Corporate
01286 679133

Finance Department
Gwynedd Council
Council Offices
Caernarfon
Gwynedd
LL55 1SH

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

GWYNEDD COUNCIL

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

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

THE HEAD OF FINANCE'S RESPONSIBILITIES

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

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

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

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Council at 31 March 2014 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

27 June 2014

MOVEMENT IN RESERVES STATEMENT

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

Note	General Fund Balance	Earmarked General Fund Reserves	Total Reserves held by Schools	Housing Revenue Account	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 2012 carried forward	(8,051)	(51,053)	(4,438)	(1,727)	(3,651)	(2,428)	(71,348)	(69,730)	(141,078)
<u>Movement in reserves during 2012/13</u>									
(Surplus)/Deficit on provision of services	(5,240)	0	0	0	0	0	(5,240)	0	(5,240)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	43,467	43,467
Total Comprehensive Income and Expenditure	(5,240)	0	0	0	0	0	(5,240)	43,467	38,227
Adjustments between accounting basis and funding basis under regulations	9 7,024	0	0	0	1,411	538	8,973	(8,973)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	1,784	0	0	0	1,411	538	3,733	34,494	38,227
Transfers to/from Earmarked Reserves	(1,784)	1,159	625	0	0	0	0	0	0
(Increase)/Decrease in 2012/13	0	1,159	625	0	1,411	538	3,733	34,494	38,227
Balance 31 March 2013 carried forward	(8,051)	(49,894)	(3,813)	(1,727)	(2,240)	(1,890)	(67,615)	(35,236)	(102,851)
<u>Movement in reserves during 2013/14</u>									
(Surplus)/Deficit on provision of services	(320)	0	0	0	0	0	(320)	0	(320)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	17,650	17,650
Total Comprehensive Income and Expenditure	(320)	0	0	0	0	0	(320)	17,650	17,330
Adjustments between accounting basis and funding basis under regulations	9 74	0	0	0	(167)	(2,363)	(2,456)	2,456	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(246)	0	0	0	(167)	(2,363)	(2,776)	20,106	17,330
Transfers to/from Earmarked Reserves	10 (105)	69	36	1,727	0	0	1,727	0	1,727
(Increase)/Decrease in 2013/14	(351)	69	36	1,727	(167)	(2,363)	(1,049)	20,106	19,057
Balance 31 March 2014 carried forward	(8,402)	(49,825)	(3,777)	0	(2,407)	(4,253)	(68,664)	(15,130)	(83,794)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – 2013/14

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.

2012/13				2013/14			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
16,454	(7,117)	9,337	Culture and Related Services		17,598	(7,203)	10,395
27,911	(9,668)	18,243	Environmental and Regulatory Services		28,711	(10,501)	18,210
14,164	(8,908)	5,256	Planning Services		16,245	(11,660)	4,585
116,792	(26,540)	90,252	Education and Children's Services - Education		125,423	(22,033)	103,390
18,062	(2,432)	15,630	Education and Children's Services - Children's Social Care		18,050	(2,412)	15,638
30,279	(12,076)	18,203	Highways and Transport		28,817	(10,980)	17,837
43,205	(37,537)	5,668	Housing Services (Council Fund)		43,063	(38,123)	4,940
58,472	(15,348)	43,124	Adult Social Care		61,650	(15,399)	46,251
12,215	(10,655)	1,560	Central Services to the Public		12,096	(2,311)	9,785
8,991	(4,114)	4,877	Corporate and Democratic Core		6,706	(3,865)	2,841
195	0	195	Non Distributed Costs		308	0	308
346,740	(134,395)	212,345	Cost of Services		358,667	(124,487)	234,180
18,882	(42)	18,840	Other Operating Expenditure	11	19,144	(288)	18,856
12,786	(682)	12,104	Financing and Investment Income and Expenditure	12	14,226	(651)	13,575
0	(248,529)	(248,529)	Taxation and non-specific grant income	13	0	(266,931)	(266,931)
378,408	(383,648)	(5,240)	(Surplus) / Deficit on Provision of Services		392,037	(392,357)	(320)
		5,461	(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets	26			1,429
		0	(Surplus) / Deficit on revaluation of available for sale financial assets				0
		38,006	Remeasurements of the net defined benefit liability/(assets)	42			16,221
		43,467	Other Comprehensive Income and Expenditure				17,650
		38,227	Total Comprehensive Income and Expenditure				17,330

'Education and Children's Services - Education'

- Includes an increase of £9m in the value of asset impairment, relating to the substantial expenditure on schools' capital scheme (Note 15).

'Taxation and Non-specific Grant Income' and 'Central Services to the Public'

- £8m relates to the Council Tax Reduction Scheme to reflect a change in the financing source to Welsh Government, that has resulted in a change in the reporting arrangements, that is now reported under 'Taxation and Non-specific Grant Income' rather than 'Central Services to the Public' as in 2012/13 (Note 13).

- An increase of £5m in National Non-Domestic Rates, by Welsh Government in comparison with the previous year's allocation (Note 13b).

'Remeasurements of the net defined benefit liability (assets)

- A movement of £22m on pensions, on the remeasurements of the net defined benefit liability (assets), in line with Gwynedd Council's Actuary's assessment (Note 42).

BALANCE SHEET – 31 MARCH 2014

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2013		Note	31 March 2014
£'000			£'000
368,877	Property, Plant and Equipment	15	378,869
93	Heritage Assets	16	111
824	Investment Property	17	100
734	Surplus Assets	15	2,526
77	Long Term Investments	18	77
4,191	Long Term Debtors	18	4,521
374,796	Long Term Assets		386,204
35,629	Short Term Investments	18	27,083
2,905	Assets Held for Sale	22	2,488
1,257	Inventories	19	1,455
44,872	Short Term Debtors	20	52,062
13,091	Cash and Cash Equivalents	21	20,886
97,754	Current Assets		103,974
(11,787)	Bank Overdraft	21	(19,496)
(18,131)	Short Term Borrowing	18	(1,884)
(58,777)	Short Term Creditors	23	(63,291)
(1,187)	Short Term Provisions	24	(479)
(2,523)	Capital and Revenue Grants Receipts in Advance	35	(1,775)
(92,405)	Current Liabilities		(86,925)
(151)	Long Term Creditors	18	(100)
(11,899)	Long Term Provisions	24	(10,824)
(95,811)	Long Term Borrowing	18	(111,215)
(168,179)	Net Pension Liability	42	(191,006)
(15)	Finance Leases Liability	38	(2,372)
(1,239)	Capital and Revenue Grants Receipts in Advance	35	(3,942)
(277,294)	Long Term Liabilities		(319,459)
102,851	Net Assets		83,794
(67,615)	Usable Reserves	25	(68,664)
(35,236)	Unusable Reserves	26	(15,130)
(102,851)	Total Reserves		(83,794)

CASH FLOW STATEMENT – 2013/14

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.

2012/13		Note	2013/14
£'000			£'000
(5,240)	Net (Surplus) or Deficit on the Provision of Services		(320)
(24,560)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27a	(30,278)
856	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27b	1,514
(28,944)	Net cash flows from Operating Activities		(29,084)
37,293	Investing Activities	28	28,063
1,130	Financing Activities	29	935
9,479	Net (increase) / decrease in cash and cash equivalents		(86)
(10,783)	Cash and cash equivalents at the beginning of the reporting period	21	(1,304)
(1,304)	Cash and cash equivalents at the end of the reporting period	21	(1,390)

NOTES TO THE ACCOUNTS

NOTE I – ACCOUNTING POLICIES

I.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14* and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued in the 2005 Act.

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

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

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

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.

Contingent assets are not recognised in the Balance Sheet, but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. Gwynedd Council have no contingent assets.

1.5 Contingent Liabilities

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

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

1.6 Corporate and Democratic Core

The Corporate and Democratic Core heading includes items relating to the Democratic Representation and Management and Corporate Management. The Democratic Representation and Management include corporate policy making and member activities while the Corporate Management includes costs that relate to the general running of the Authority.

1.7 Employee Benefits

1.7.1 Benefits Payable during Employment

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

1.7.2 Termination Benefits

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

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

1.7.3 Post Employment Benefits

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

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

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

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

1.7.4 The Local Government Pension Scheme

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

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

The liabilities of the Gwynedd Pension Fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates, employee turnover rates, etc, and projections of earning for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.3% calculated as a weighted average of 'spot yields' on AA rated corporate bonds.

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

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

Service cost comprising:

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

Remeasurements comprising:

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

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

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to

remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.7.5 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.

1.8 Events after the Reporting Period

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

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

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

1.9 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.

1.10 Financial Instruments

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

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

Financial liabilities

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

Financial assets

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

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

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

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

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

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

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

1.11 Foreign Currency Translation

Cash transactions are translated to sterling on the existing rate on that particular day. Any differences in the exchange rate are taken into account in the Comprehensive Income and Expenditure Statement. Any foreign currency balance held is translated as per the rate on 31 March.

1.12 Government Grants and Other Contributions

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

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

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

1.13 Heritage Assets

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

- Pictures and Paintings
- Civic Regalia

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

The Council employed an external valuer (Bonhams) to provide estimated valuations of its civic regalia and paintings and pictures. Any item over the di-minimis threshold of £10,000 is shown separately in the accounts; all other items are grouped under general civic regalia and paintings and pictures. For consistency, the Council has applied the same di-minimis levels for valuation purposes to Heritage Assets as its other long term assets – see policy 1.19.

There is no specific corporate policy on acquisition, preservation, management and disposal of pictures and paintings beyond the general requirements as contained within the Financial Procedure Rules of the Council's Constitution.

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.

Gwynedd's Archives, Libraries and Museums maintain heritage artefacts and archive records in its collections and archives. Gwynedd Museum Service has an acquisition and disposal, and conservation policy in respect of heritage artefacts and archive records.

Conclusive cost or valuation information is not always readily available for the vast majority of items held in the artefacts and archives collection, and even if valuations could be obtained the costs would be onerous compared to the additional benefits derived due to the number of assets held and the lack of comparable market values. Attempting to value heritage assets acquired historically raises a number of further conceptual concerns. Valuation of heritage assets is complicated by the nature of many such assets. They are rarely sold and often have a value enhanced above the intrinsic due to, for example –

- their association with a person, event or collection;
- a limited number of buyers;
- no homogeneous population of assets on the market;
- imperfect information about the items for sale.

In contrast with many commercial assets, therefore, there is seldom an active market to provide indicative values of similar objects. This makes materially accurate valuations almost impossible to achieve for many heritage assets. While it may be possible to assign a cost to items purchased within a financial year, historic cost quickly becomes obsolete and meaningless, not only because of general price movement where markets for similar items do not exist, but also because of changing opinions about attribution.

The Council owns numerous listed buildings that are classed as Land and Buildings. As these are operational assets of the Council, the decision was made not to reclassify them as Heritage Assets. The Council is responsible for the maintenance of monuments and structures. Some monuments have been valued but are below the di-minimis threshold for recognition in the accounts, and other monuments and structures were not valued as the Council is of opinion that there is no real market value for the asset. Obtaining this information would involve a disproportionate cost in comparison to the benefits to the users of the Council Statement of Accounts – this exemption is permitted by the current *Code of Practice on Local Authority Accounting in the United Kingdom*.

Some Parks and Local Nature Reserves, as well as Bird Sanctuaries, Forests and Coastlines are already provided for in the accounts as Community Assets. However, most of these assets fall below the di-minimis value for recognition. The decision was made to retain the classification of these assets as Community Assets. Community Assets are defined as assets that the Council intends to hold in perpetuity and where there are restrictions on their disposals.

1.14 Inventories and Long Term Contracts

Stocks and work in progress should be shown in the balance sheet at the lower of cost or net realisable value, in accordance with the provisions of the Code of Practice. Due to the practicalities of the Council's main stock systems, the majority of stock is shown in the accounts at average cost. The difference from the basis of valuation is not material.

1.15 Investment Property

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

1.16 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 are transferred to the lessee. All other leases are classified as operating leases.

The Authority as Lessee:

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

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

The Authority as Lessor:

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

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

1.17 Surplus Assets

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

1.18 Overheads and Support Services

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

The only unallocated residual costs are those of corporate management and support service costs which the Code of Practice specifies should not be allocated. The allocation complies with the Service Reporting Code of Practice (SeRCOP) 2013/14.

1.19 Long Term Assets

The Council's assets as recorded on the Property Services database are revalued at least every 5 years. This is in accordance with the Code and the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The last complete revaluation was effective from 1st April 2010.

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

Investment Properties are shown at fair value.

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

Infrastructure and community assets are shown at historical cost.

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

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

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

Impairment and Depreciation

Impairment

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

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

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

Depreciation

The main element of IAS 16 is that buildings must be depreciated if they are not valued each year. In addition, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. A di-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 2013/14 financial year this has been set at £1.66 which is 1% of the total value of the buildings). The apportionment to be considered for the non-land element of assets above the di-minimis threshold is:

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

The majority of the Council's buildings (over 75%) are valued using the DRC (Depreciated Replacement Cost) method, which is developed on a component approach, and the identification of the components are reflected in the details of the calculations. However, identified within the above are buildings which include material items of plant and equipment which are deemed to have shorter useful lives e.g. boilers and heating equipment within swimming pools and leisure 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 (3–10 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 useful lives (various)

- (vi) Investment Properties, Assets under Construction and Assets Held for Sale are not depreciated

Depreciation is not charged in the year of acquisition.

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

The four MRP options available are:

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

NB This does not preclude other prudent methods.

MRP in 2013/14: 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 2013/14 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

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

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

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

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

1.20 Non Distributed Costs

The majority of central support services are allocated to the service divisions in accordance with the Service Reporting Code of Practice (SeRCOP) 2013/14. The items that are excluded from this treatment are defined as Non Distributed Costs and include the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

1.21 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.

1.22 Reserves

In accordance with the requirements of the Local Government Act 1988 the Council has one General Fund which represents the general reserves (“balances”) of the Authority. There are also a number of revenue and capital reserves earmarked for specific purposes.

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

1.23 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.

1.24 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.

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

1.26 Pensions

International Accounting Standard (IAS) 19 governs how the long term liabilities which exist in relation to pension costs should be reported. Local councils in Wales and England are required to produce their financial statements in accordance with IAS19.

1.27 Allocation of Interest Received

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

1.28 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.

1.29 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.

1.30 Current Assets Held for Sale

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

1.31 Disposals

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

1.32 Capital Receipts

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

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

used to finance capital expenditure.

I.33 Accounting for the costs of the Carbon Reduction Commitment Scheme

The authority is subject to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. Authorities participating in the scheme are required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. Gwynedd Council was below the relevant threshold in respect of 2013/14.

I.34 Cost Relating to Unequal Pay Claims

A provision is contained within the Authority's Accounts in respect of the cost of Equal Pay Claims and reflects the best estimate of potential cost as at 31 March 2014.

I.35 Landfill Allowance Schemes

The Landfill Allowances Scheme operates under the Landfill Allowances Scheme (Wales) Regulations 2004. Local Authorities are allocated annual allowances for the maximum amount of biodegradable municipal waste that can be sent to landfill. For each ton of biodegradable municipal waste sent to landfill in excess of the allowance a Local Authority may be liable to a penalty of £200 per ton. It is not a "cap and trade" scheme since landfill allowances are not tradable in Wales. For this reason, landfill allowances are not recognised as assets on the Balance Sheet. Gwynedd Council was within its landfill allowance in 2013/14.

I.36 Service Concession Arrangements

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

I.37 Jointly Controlled Operations and Jointly Controlled Assets

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

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

I.38 Recognition of Revenue from Non-Exchange Transactions

Assets and revenue arising from non exchange transactions are recognised in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, except where interpreted or adapted to fit the public sector are detailed in the Code and/or IPSAS 23, "Revenue from Non-Exchange Transactions (Taxes and Transfers)".

Taxation Transactions

Assets and revenue arising from taxation transactions are recognised in the period in which the taxable event occurs, provided that the assets satisfy the definition of an asset and meet the criteria for recognition as an asset.

Non-taxation Transactions

Assets and revenue arising from transfer transactions are recognised in the period in which the transfer arrangement becomes binding. Services in-kind are not recognised. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the Authority recognises a liability until the condition is fulfilled.

Basis of Measurement of Major Classes of Revenue from Non-Exchange Transactions

Taxation Revenue is measured at the nominal value of cash, and cash equivalents.

Assets and revenue recognised as a consequence of a transfer are measured at the fair value of the assets recognised as at the date of recognition:

- Monetary assets are measured at their nominal value unless the time value of money is material, in which case present value is used, calculated using a discount rate that reflects the risk inherent in holding the asset; and
- Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession. Receivables are recognised when a binding transfer arrangement is in place but cash or other assets have not been received.
-

NOTE 2 – CHANGE IN ACCOUNTING POLICY

There have been a number of significant changes relating to IAS 19 Employee Benefits, resulting in changes in accounting practices for financial years from 1 January 2013, consequently resulting in changes to the related accounting policy. The adjustments resulting from the changes are detailed in Note 3.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

There have been a number of significant changes relating to international accounting standard IAS 19 Employee Benefits, resulting in a change in the accounting treatment and accounting policy. The change has introduced new classes of components of defined benefit cost to be recognised in the financial statements (ie net interest on the net defined benefit liability (asset) and remeasurements of the net defined benefit liability (asset)), and, where there is a material impact, new definitions or recognition criteria for service costs (eg past service costs) and new recognition criteria for termination benefits.

As a result of the above, prior period adjustments are required in the 2012/13 accounts. There is no impact on the Balance Sheet; however the tables below reflect the prior period adjustments that have been made to the 2012/13 main Statements of Accounts and the relevant Notes to the Accounts.

Effect of the IAS 19 Pension Restatement on the Movement in Reserves Statement 2012/13

	As previously stated 2012/13				Restatement				As restated 2012/13			
	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance 31 March 2012 carried forward	(8,051)	(71,348)	(69,730)	(141,078)	0	0	0	0	(8,051)	(71,348)	(69,730)	(141,078)
Movement in reserves during 2012/13												
(Surplus)/Deficit on provision of services	(8,185)	(8,185)	0	(8,185)	2,945	2,945	0	2,945	(5,240)	(5,240)	0	(5,240)
Other Comprehensive Income and Expenditure	0	0	46,412	46,412	0	0	(2,945)	(2,945)	0	0	43,467	43,467
Total Comprehensive Income and Expenditure	(8,185)	(8,185)	46,412	38,227	2,945	2,945	(2,945)	0	(5,240)	(5,240)	43,467	38,227
Adjustments between accounting basis and funding basis under regulations	9,969	11,918	(11,918)	0	(2,945)	(2,945)	2,945	0	7,024	8,973	(8,973)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	1,784	3,733	34,494	38,227	0	0	0	0	1,784	3,733	34,494	38,227
Transfers to/from Earmarked Reserves	(1,784)	0	0	0	0	0	0	0	(1,784)	0	0	0
Increase/Decrease in 2012/13	0	3,733	34,494	38,227	0	0	0	0	0	3,733	34,494	38,227
Balance 31 March 2013 carried forward	(8,051)	(67,615)	(35,236)	(102,851)	0	0	0	0	(8,051)	(67,615)	(35,236)	(102,851)

Effect of the IAS 19 Pension Restatement on the Comprehensive Income and Expenditure Statement 2012/13

	As previously stated 2012/13			Restatement			As restated 2012/13		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Services	346,740	(134,395)	212,345	0	0	0	346,740	(134,395)	212,345
Other Operating Expenditure	18,882	(42)	18,840	0	0	0	18,882	(42)	18,840
Financing and Investment Income and Expenditure	9,841	(682)	9,159	2,945	0	2,945	12,786	(682)	12,104
Taxation and non-specific grant income	0	(248,529)	(248,529)	0	0	0	0	(248,529)	(248,529)
(Surplus) / Deficit on Provision of Services	375,463	(383,648)	(8,185)	2,945	0	2,945	378,408	(383,648)	(5,240)
(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets			5,461			0			5,461
(Surplus) / Deficit on revaluation of available for sale financial assets			0			0			0
Remeasurements of the net defined benefit liability/(assets)			40,951			(2,945)			38,006
Other Comprehensive Income and Expenditure			46,412			(2,945)			43,467
Total Comprehensive Income and Expenditure			38,227			0			38,227

Effect of the IAS 19 Pension Restatement on the Cash Flow Statement 31 March 2013

	As previously stated 31 March 2013	Restatement 2013	As restated 31 March 2013
	£'000	£'000	£'000
Net (Surplus) or Deficit on the Provision of Services	(8,185)	2,945	(5,240)
Adjust net surplus or deficit on the provision of services for non-cash movements (Note 27a)	(21,615)	(2,945)	(24,560)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	856	0	856
Net Cash Flows from Operating Activities	(28,944)	0	(28,944)

Effect of the IAS 19 Pension Restatement on Note 9 – adjustments between Accounting Basis and Funding Basis Under Regulations

2012-13 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS	As previously stated 2012/13				Restatement				As restated 2012/13			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:												
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:												
Charges for depreciation and impairment of non current assets	(18,167)	0	0	18,167	1	0	0	(1)	(18,166)	0	0	18,166
Capital grants and contributions applied	18,632	0	538	(19,170)	(1)	0	0	1	18,631	0	538	(19,169)
Adjustments primarily involving the Pensions Reserve:												
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 42)	(17,214)	0	0	17,214	(2,945)	0	0	2,945	(20,159)	0	0	20,159
Total Adjustments	(16,749)	0	538	16,211	(2,945)	0	0	2,945	(19,694)	0	538	19,156

Effect of the IAS 19 Pension Restatement on Note 12 – Financing and Investment Income and Expenditure

	As previously stated 2012/13	Restatement	As restated 2012/13
	£'000	£'000	£'000
Interest payable and similar charges	6,730	0	6,730
Pensions Interest Cost and Expected Return on Pensions Assets	3,111	2,945	6,056
Interest receivable and similar income	(682)	0	(682)
	9,159	2,945	12,104

Effect of the IAS 19 Pension Restatement on Note 26 – Unusable Reserves

	As previously stated 2012/13	Restatement	As restated 2012/13
	£'000	£'000	£'000
Balance 1 April	(128,153)	0	(128,153)
Remeasurements of the net defined benefit liability/(assets)	(40,951)	2,945	(38,006)
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	(17,214)	(2,945)	(20,159)
Employer's pensions contributions and direct payments to pensioners payable in the year	18,139	0	18,139
Balance 31 March	(168,179)	0	(168,179)

Effect of the IAS 19 Pension Restatement on Note 27a – Cash Flow Statement: Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

	As previously stated 31 March 2013	Restatement 2013	As restated 31 March 2013
	£'000	£'000	£'000
Depreciation	(11,430)	0	(11,430)
Impairment and downward valuations	(6,735)	0	(6,735)
(Increase)/Decrease in Creditors	(15,958)	0	(15,958)
Increase/(Decrease) in Debtors	16,063	0	16,063
Increase/(Decrease) in Stock	(123)	0	(123)
Pension Liability	925	(2,945)	(2,020)
Carrying amount of non-current assets sold	(813)	0	(813)
Other non-cash items charged to net surplus/deficit on the provision of services	(3,544)	0	(3,544)
	(21,615)	(2,945)	(24,560)

Effect of the IAS 19 Pension Restatement on Note 30 – Amounts reported for resource allocation decisions

	As previously stated 2012/13			Restatement			As restated 2012/13		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financing and Investment Income and expenditure									
Pensions Interest Cost and Expected Return on Pensions Assets	3,111	0	3,111	2,945	0	2,945	6,056	0	6,056
(Surplus)/Deficit on the provision of services	375,463	0	(8,185)	2,945	0	2,945	378,408	0	(5,240)

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 2014/15 has introduced several changes in accounting policies which will be required from 1 April 2014. The changes are as follows:

IFRS 10 - Consolidated Financial Statements (May 2011)

This change in the accounting policy has introduced a new definition of control, which is used to determine which entities are consolidated for the purpose of group accounts.

IFRS 11 - Joint Arrangements (May 2011)

This change in accounting policy is related to accounting for joint arrangements, which is a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. Proportionate consolidation is no longer an option for jointly controlled entities.

IFRS 12 - Disclosure of Interest with Other Entities (May 2011)

This change requires a number of disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures (amended May 2011)

These statements have been amended as a result of the changes to IFRS 10, IFRS 11 and IFRS 12 (above). Given that there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.

IAS 32 - Financial Instruments: Presentation (amended December 2011)

This standard introduces changes to the presentation of financial instruments and allows the offsetting of financial assets and financial liabilities.

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

NOTE 5 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make judgements, estimates and assumptions about 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 historical experience and other factors, other factors being historical, and actual future projections and assumptions that are considered to be relevant.

All available and related information is sourced and applied in assessing and determining the position, which is particularly critical when considering such matters as earmarked reserves, provisions and contingent liability. 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 2014 may be considered to be a significant risk, with the possibility of material adjustment in the forthcoming financial year.

- **Property, Plant and Equipment** – Assets are depreciated over useful lives in accordance with standard accounting practices. Any difference between the depreciation applied and actual deterioration to assets will be naturally reflected in future spending patterns. Information relating to Property, Plant and Equipment is contained in Note 15.
- **Provisions** – Various separate provisions, the basis of which have been individually assessed, are contained within these accounts as detailed in Note 24 and include Equal Pay, Landfill Sites and our insurance liability exposure.
- **Pensions Liability** – The Pension Liability position as contained within the accounts is based on a number of complex assessments and judgments as provided by Actuaries engaged by the Council. Further details are contained in Note 41 and 42.
- **Doubtful Debts Impairment** – A certain impairment level of doubtful debts is contained within the accounts and is based on a specific policy. Any departure between the impairment level applied and the actual arrears position will be naturally reflected in future spending patterns. Doubtful Debts impairments are contained within the figures for Short Term Debtors contained in Note 20.

NOTE 7 – MATERIAL ITEMS OF INCOME AND EXPENSE

(Not disclosed on the face of the Comprehensive Income and Expenditure Statement)

Related items include:-

- A movement of £22m on pensions, on the remeasurements of the net defined benefit liability (assets), in line with Gwynedd Council's Actuary's assessment (Note 42).
- An increase of £9m in the value of asset impairment, relating to the substantial expenditure on school's capital scheme (Note 15).
- An increase of £5m in National Non-Domestic Rates, by Welsh Government in comparison with the previous year's allocation (Note 13b).

NOTE 8 – EVENTS AFTER THE BALANCE SHEET DATE

There are no known post balance sheet events.

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

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

2013/14	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 primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	(25,426)	0	0	25,426
Capital grants and contributions applied	21,352	0	(2,363)	(18,989)
Revenue expenditure funded from capital under statute	(6,222)	0	0	6,222
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	288	0	0	(288)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Revenue provision for the financing of supported capital investment	5,731	0	0	(5,731)
Revenue provision for the financing of unsupported capital investment	966	0	0	(966)
Capital expenditure charged against the General Fund and HRA balances	10,516	0	0	(10,516)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	28	(1,542)	0	1,514
Use of the Capital Receipts Reserve to finance repayment of debt	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,377	0	(1,377)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0
Principal repayment of debt	0	(2)	0	2
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11	0	0	(11)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 42)	(26,333)	0	0	26,333
Employer's pensions contributions and direct payments to pensioners payable in the year	19,727	0	0	(19,727)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(564)	0	0	564
Total Adjustments	74	(167)	(2,363)	2,456

2012/13	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS					
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	(18,166)	0	0	0	18,166
Capital grants and contributions applied	18,631	0	0	538	(19,169)
Revenue expenditure funded from capital under statute	(6,452)	0	0	0	6,452
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	42	0	0	0	(42)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Revenue provision for the financing of supported capital investment	5,692	0	0	0	(5,692)
Revenue provision for the financing of unsupported capital investment	730	0	0	0	(730)
Capital expenditure charged against the General Fund	7,574	0	0	0	(7,574)
Adjustments involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	78	0	(932)	0	854
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0
Use of the Capital Receipts Reserve to finance repayment of debt	0	0	2,345	0	(2,345)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0
Principal repayment of debt	0	0	(2)	0	2
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	56	0	0	0	(56)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 42)	(20,159)	0	0	0	20,159
Employer's pensions contributions and direct payments to pensioners payable in the year	18,139	0	0	0	(18,139)
Adjustments 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	859	0	0	0	(859)
Total Adjustments	7,024	0	1,411	538	(8,973)

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:

2013/14	Balance		Transfers		Balance
	31 March 2013	between reserves	in	out	31 March 2014
	£'000	£'000	£'000	£'000	£'000
School Balances	3,813	(33)	822	(825)	3,777
Total	3,813	(33)*	822	(825)	3,777

*Transfer to Other Earmarked Reserves (refer to page 35)

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 2013/14.

Earmarked Reserves

2013/14	Balance		Transfers		Balance
	31	between	in	out	31
	March	reserves			March
	2013				2014
	£'000	£'000	£'000	£'000	£'000
Renewals Reserves	1,716	0	2,411	(1,943)	2,184
Capital Reserves	14,286	(342)	423	(4,303)	10,064
Insurance Reserves	3,444	(197)	1,508	(1,292)	3,463
Services Fund	5,086	279	1,054	(1,446)	4,973
Convergence Programme Fund	1,602	0	0	(491)	1,111
Development Reserve	212	39	0	(251)	0
Redundancy Costs to Realise Savings Reserve	1,935	0	1,042	(543)	2,434
Central Training	336	13	395	(132)	612
Communication Centre Reserve	278	0	0	(244)	34
Schools Service Reserves	1,204	33	161	(273)	1,125
Economy and Community Reserves	113	0	25	0	138
Highways and Municipal Reserves	1,786	0	400	(27)	2,159
Waste Developments Reserve	426	0	0	(154)	272
Gwynedd Consultancy Reserves	290	0	111	0	401
Regulatory Reserves	791	0	113	(28)	876
Major Maintenance Work on County Roads Fund	0	0	120	0	120
Care - Other Reserves	127	0	9	(34)	102
Business Process Transformation Fund	244	(244)	0	0	0
Ffordd Gwynedd Fund	0	244	0	0	244
Invest to Save Fund	1,497	4	1,033	0	2,534
Invest to Save Fund - Carbon Reduction Plan	1,521	(86)	14	(304)	1,145
Transforming Fund	7,105	0	1,325	(1,245)	7,185
Committed Revenue Grants Fund	168	0	153	(10)	311
Capital Reserve to Realise Savings	209	0	0	0	209
Contracts Tendering Fund	403	0	292	(21)	674
Housing Water and Sewerage Services Fund	1,337	0	0	(593)	744
Housing Environmental Warranty	480	0	0	0	480
Savings Programme Reserve	932	0	14	0	946
Information Technology Reserve	373	0	41	(40)	374
Restoration Fund	500	0	0	(154)	346
Preparatory Work for European Grant Funding Schemes	150	0	0	0	150
Pension Deficit Reserve (Pre Housing Revenue Account)	0	0	1,727	0	1,727
Supporting the 2014/15 Financial Strategy Reserve	0	0	579	0	579
Welfare Reform Statute Fund	0	444	0	0	444
EDRMS Fund	0	303	0	(15)	288
Various Other Reserves	1,343	(457)	985	(494)	1,377
Total	49,894	33*	13,935	(14,037)	49,825

*Transfer from School Balances (refer to page 34)

Details are given below of the Council's main specific reserves.

- (i) The Renewals Reserve is used by various departments to replace vehicles and equipment.
- (ii) The Capital Reserve represents resources already committed to finance part of the Council's Capital Programme.

- (iii) Gwynedd Council does not insure all risks with external insurers but instead it has established an internal reserve to meet those uninsured risks. The balance on the Insurance Reserve also includes an element relating to the relevant insurance requirements of the former Gwynedd County Council (pre 1996) and which is administered by Gwynedd Council.
- (iv) The Services Fund represents the element of slippages and underspend that service departments have the right to carry forward for use in the subsequent financial year, other relevant specific budgets and one-off budgets that extend over more than one year.
- (v) Convergence Programme Fund - fund was created for additional capital or revenue costs which arise from the requirements to develop plans for Objective 1.
- (vi) The Development Reserve relates to specific projects already determined by the Council such as Affordable Housing and E-Government.
- (vii) Redundancy Costs to Realise Savings Reserve – provision for financing redundancy costs to realise budgetary savings.
- (viii) Central Training – relates to the Council’s staff training programme.
- (ix) Communication Centre Reserve – sums set aside towards developing the Communication Centre.
- (x) Schools Service 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’.
- (xi) 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.
- (xii) 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.
- (xiii) The Waste Development Reserve is for relevant commitments and developments in the waste field including our commitment to the North Wales Waste Partnership.
- (xiv) Gwynedd Consultancy Reserves – includes amounts set aside to protect against situations of uneven expenditure due to coastal protection works and possible employment requirements resulting from changes in the Consultancy Service’s work programme.
- (xv) Regulatory Reserves – include a number of balances relating to schemes operating mainly on a partnership basis, and where the scheme balances must be accounted for separately, together with specific requirements relating to the Unitary Development Plan.
- (xvi) Major Maintenance Work on County Roads Fund – to support the cost of large maintenance work on county roads.
- (xvii) Other Care Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- (xviii) Business Process Transformation Fund now known as the Ffordd Gwynedd Fund – a one-off fund to aid the business transformation process to realise savings for the Council.
- (xix) Invest to Save Fund – Provision for the investment in various plans to realise permanent financial savings, and further includes the requirements and resources of the Improving the Council Fund.

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

NOTE 11 – OTHER OPERATING EXPENDITURE

2012/13		2013/14
£'000		£'000
1,479	Community Councils Precepts	1,507
	Levies	
10,652	Police & Crime Commissioner North Wales	10,908
5,526	North Wales Fire Authority	5,508
1,157	Snowdonia National Park Authority	1,153
68	Local Drainage Boards	68
17,403		17,637
(42)	(Gains)/losses on the disposal of non-current assets	(288)
18,840	Total	18,856

NOTE 12 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13		2013/14
£'000		£'000
6,730	Interest payable and similar charges	6,476
6,056	Net interest on the net defined benefit liability (asset)	7,544
(682)	Interest receivable and similar income	(445)
12,104	Total	13,575

NOTE 13 – TAXATION AND NON SPECIFIC GRANT INCOME

2012/13		Note	2013/14
£'000			£'000
(63,374)	Council Tax Income	13a	(66,095)
(32,801)	Non Domestic Rates	13b	(38,209)
(136,566)	Non-ringfenced government grants		(144,714)
(15,788)	Capital Grants and Contributions		(17,913)
(248,529)	Total		(266,931)

Non Domestic Rates

- An increase of £5m in National Non-Domestic Rates, by Welsh Government in comparison with the previous year's allocation (Note 13b).

Non-ringfenced government grants

- An increase of £8m relates to the Council Tax Reduction Scheme to reflect a change in the financing source to Welsh Government, has resulted in a change in the reporting arrangements, and accounts for the substantial movement between 2012/13 and 2013/14 (Note 35).

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 2013/14 was calculated as follows:-

CALCULATION OF THE COUNCIL TAX BASE FOR 2013/14			
Valuation Bands	Number of Properties following discounts	Statutory Multiplier	Equivalent Band D properties
A*	9	5/9	4.72
A	7,260	6/9	4,839.99
B	13,245	7/9	10,301.54
C	10,562	8/9	9,388.00
D	9,178	1	9,178.07
E	7,287	11/9	8,906.77
F	3,557	13/9	5,137.53
G	1,161	15/9	1,935.00
H	159	18/9	318.50
I	55	21/9	128.33
	Total		50,138.45
	Council Tax base after allowing for losses on collection		48,884.99

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

2012/13		2013/14
£'000		£'000
63,706	Council Tax raised	66,493
(332)	Less Provision for bad debts	(398)
63,374		66,095

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.

The Government sets the National Non-Domestic rate for the year (46.4p in 2013/14) 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 2013/14 financial year there were 7,158 properties on the local valuation list in Gwynedd, representing a rateable value of £99,178,095.

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

2012/13		2013/14
£'000		£'000
(33,982)	National Non-Domestic Rate raised	(34,716)
361	Cost of Collection allowance	364
551	Provision for Bad Debts	284
33,070	Sum paid to the National Pool	34,068
0		0
(32,801)	Receipts from the National Pool	(38,209)
(32,801)	Net Income from Non Domestic Rates	(38,209)

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. Although there is a minor deficit in 2013/14, a surplus is evident over the 3 year period.

2013/14	£'000
Total charges income received (excluding VAT)	(471)
Total charges expenditure incurred	472
(Surplus) / Deficit for 2013/14	1
(Surplus) / Deficit for 2012/13	(10)
(Surplus) / Deficit for 2011/12	4
(Surplus) / Deficit for the last three years	(5)

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2013/14:

	Land and Buildings	Infrastructure	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Value							
Balance at 1.04.13	254,200	166,267	34,077	991	819	12,157	468,511
Additions	15,720	8,865	4,303	4	0	5,100	33,992
Additions - GwyrAD	4,734	0	0	0	0	0	4,734
Sales	(579)	0	(1,334)	0	0	0	(1,913)
Transfers	3,280	25	0	0	1,805	(4,741)	369
Revaluation	(223)	0	0	0	0	0	(223)
Balance at 31.03.14	277,132	175,157	37,046	995	2,624	12,516	505,470
Depreciation							
Balance at 1.04.13	11,657	20,333	20,128	6	27	2	52,153
Depreciation in year	3,917	4,568	2,891	1	8	0	11,385
Sales	(23)	0	(1,097)	0	0	0	(1,120)
Transfers	(192)	0	0	0	0	0	(192)
Revaluation	(123)	0	0	0	0	0	(123)
Balance at 31.03.14	15,236	24,901	21,922	7	35	2	62,103
Impairment							
Balance at 1.04.13	46,196	63	200	230	58	0	46,747
Impairment in year - to Revaluation Reserve	1,588	0	0	0	0	0	1,588
Impairment in year - to Services	13,450	0	0	0	0	573	14,023
Sales	(212)	0	(120)	0	0	0	(332)
Transfers	543	0	0	0	5	(573)	(25)
Revaluation	(29)	0	0	0	0	0	(29)
Balance at 31.03.14	61,536	63	80	230	63	0	61,972
Net Book Value 31 March 2014	200,360	150,193	15,044	758	2,526	12,514	381,395
Net Book Value 31 March 2013	196,347	145,871	13,749	755	734	12,155	369,611

Comparative Movements in 2012/13:

	Land and Buildings	Infrastructure	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Assets under construction	Total Property, Plant and Equipment
Value	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1.04.12	244,282	152,443	31,223	971	150	9,804	438,873
Adjustment to the opening balance	763	0	0	0	0	(763)	0
Additions	9,817	13,737	3,402	20	0	4,923	31,899
Additions - landfill aftercare	257	0	0	0	0	0	257
Sales	(616)	0	(542)	0	0	0	(1,158)
Transfers	(1,056)	87	0	0	669	(1,807)	(2,107)
Revaluation	753	0	(6)	0	0	0	747
Balance at 31.03.13	254,200	166,267	34,077	991	819	12,157	468,511
Depreciation							
Balance at 1.04.12	7,912	16,108	17,477	5	3	2	41,507
Depreciation in year	4,005	4,225	3,198	1	1	0	11,430
Sales	(40)	0	(541)	0	0	0	(581)
Transfers	(54)	0	0	0	23	0	(31)
Revaluation	(166)	0	(6)	0	0	0	(172)
Balance at 31.03.13	11,657	20,333	20,128	6	27	2	52,153
Impairment							
Balance at 1.04.12	33,225	63	68	230	63	0	33,649
Impairment in year - to Revaluation Reserve	6,443	0	0	0	0	0	6,443
Impairment in year - to Services	6,603	0	132	0	0	0	6,735
Sales	(10)	0	0	0	0	0	(10)
Transfers	(3)	0	0	0	(5)	0	(8)
Revaluation	(62)	0	0	0	0	0	(62)
Balance at 31.03.13	46,196	63	200	230	58	0	46,747
Net Book Value	196,347	145,871	13,749	755	734	12,155	369,611
31 March 2013							
Net Book Value	203,145	136,272	13,678	736	84	9,802	363,717
31 March 2012							

The Council's operational Land and Buildings were revalued on 1 April 2010 by the Council's Corporate Property Manager (M.R.I.C.S) in accordance with the policies noted in section 1.19 of Note 1 of the Accounting Policies. Refer to this note also for the basis of depreciation on various categories of assets.

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

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

Assets Under Construction reflect only Gwynedd Council's proportion of the construction costs of the Pont Briwet project (based on an estimated split of the road and the rail elements of the project. This split currently stands at 41% road element (£2.43m) and 59% rail element).

Capital Commitments

Significant commitments under capital contracts at 31 March 2014 were as follows:

	Contract Sum	Payments to date	Amount Outstanding
	£'000	£'000	£'000
Briwet Bridge *	13,357	7,139	6,218
Welsh National Sailing Academy - Marine Works	2,238	1,492	746
Welsh National Sailing Academy - Construction of the Academy Building	4,198	970	3,228
Improvements to Gwynedd Museum & Gallery	1,231	200	1,031
Leachate Treatment Plant, Faengoch	965	833	132
Cycle Track link between Cefn Glyn and Llanwnda	471	200	271

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

NOTE 16 – HERITAGE ASSETS

	Specific Paintings	General Art Collections	Civic Regalia	Total
	£'000	£'000	£'000	£'000
Value				
Balance at 1.04.12	62	14	17	93
Adjust Opening Balance	0	0	0	0
Additions	0	0	0	0
Sales	0	0	0	0
Revaluation	0	0	0	0
Depreciation	0	0	0	0
Impairment	0	0	0	0
Balance at 31.03.13	62	14	17	93
Balance at 1.04.13	62	14	17	93
Adjust Opening Balance	0	0	0	0
Additions	0	0	0	0
Sales	0	0	0	0
Revaluation	18	0	0	18
Depreciation	0	0	0	0
Impairment	0	0	0	0
Balance at 31.03.14	80	14	17	111

The Council employed external valuers (Bonhams) in March 2012 to prepare estimated valuations of its civic regalia and paintings. The valuations are based on the current market value, which are subject to an annual review. The Council considers that these heritage assets have an indeterminate life and high residual value; hence, the Council does not consider it appropriate to depreciate these assets. In the annual assessment (February 2014) by the external valuers, it was confirmed that there is no impairment and no significant change in the market, but the value of some specific paintings has slightly increased during the past financial year. This increase is reflected in the balance sheet where they are valued at £111,065. The Council owns two paintings above the di-minimis threshold of £10,000. The majority of the pictures and paintings are kept in the Council's galleries, with the remainder at various Council establishments.

The Council has three museums - Gwynedd Museum in Bangor, Lloyd George Museum in Llanystumdwy and Quakers Heritage Centre in Dolgellau. The Council owns two archives, Caernarfon Record Office and Meirionnydd Record Office in Dolgellau as well as 17 libraries. The last significant artefacts bought by the Council were the 'Newborough Archive 12th to 20th Centuries' collection in 2002 and a wallet belonging to David Lloyd George in 1999.

For further information, see also policy 1.13 which notes our treatment of other heritage assets which have not been recognised on the Balance Sheet, i.e. library collections and archives, and scheduled monuments. Our policy also states that we do have some assets that could be categorised as Heritage Assets, such as Historic Buildings or Parks and Local Nature Reserves, but we have decided to keep these under their original categories (Land and Buildings or Community Assets).

NOTE 17 – 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:

	2012/13 £'000	2013/14 £'000
Rental income from investment property	44	0
Direct operating expenses arising from investment property	0	0
Net gain / (loss)	44	0

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

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

	2012/13 £'000	2013/14 £'000
Balance 1 April	298	824
<u>Additions:</u>		
Purchases	0	0
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	0
Net gains / losses from fair value adjustments	0	0
<u>Transfers:</u>		
to/from Assets held for sale	20	0
to/from Property, Plant and Equipment	506	(724)
Other changes	0	0
Balance 31 March	824	100

NOTE 18 – FINANCIAL INSTRUMENTS

(a) Financial Instruments - Classifications

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

- money market funds and other collective investment schemes
- certificates of deposit issued by banks and building societies
- treasury bills and gilts issued by the UK Government

Assets held at fair value through profit and loss comprising:

- treasury bills and gilts issued by the UK Government
- 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 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Loans at amortised cost:				
Principal sum borrowed*	95,811	111,215	17,437	1,193
Accrued interest	0	0	694	691
Total Borrowing	95,811	111,215	18,131	1,884
Loans at amortised cost:				
Bank overdraft	0	0	11,787	19,496
Total Cash Overdrawn	0	0	11,787	19,496
Liabilities at amortised cost:				
Trade Payables	151	100	0	0
Finance leases	15	2,372	0	0
Total other Long Term Liabilities	166	2,472	0	0
Liabilities at amortised cost:				
Trade Payables	0	0	56,913	61,785
Finance Leases	0	0	14	112
Included within Creditors**	0	0	56,927	61,897
Total Financial Liabilities	95,977	113,687	86,845	83,277

* The short term borrowing at 31 March 2014 includes a loan of £16,200,000 which could be called for repayment in July 2018. However, due to current low interest rates this is unlikely to happen.

** The short term creditors line on the Balance Sheet includes £1,393,000 (£1,850,000 at 31 March 2013) creditors that do not meet the definition of a financial liability. See Note 23 for further information.

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

Financial Assets	Long Term		Short Term	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Loans and Receivables:				
Principal at amortised cost	17	17	35,000	27,000
Accrued interest	0	0	214	83
Impaired investments	0	0	415	0
Available for sale investments:				
Principal at amortised cost	60	60	0	0
Total Investments	77	77	35,629	27,083
Loans and Receivables:				
Cash	0	0	61	61
Cash equivalents at amortised cost	0	0	13,030	20,825
Total Cash and Cash Equivalents	0	0	13,091	20,886
Loans and Receivables:				
Trade Receivables	4,191	4,521	12,520	21,361
Included in Debtors*	4,191	4,521	12,520	21,361
Total Financial Assets	4,268	4,598	61,240	69,330

* The short term debtors line on the Balance Sheet includes £30,701,000 (£32,352,000 at 31 March 2013) debtors that do not meet the definition of a financial asset. See Note 20 for further information.

Soft Loans – Balances

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

The fair values of such a soft loan are less than the amount of the cash lent. The fair value of a loan at nil interest rate or below the prevailing market rate is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument. The sum by which the amount lent exceeds the fair value of the loan is charged to the Income and Expenditure Account. The 2013/14 Code of Practice sets out specific accounting and disclosure requirements for soft loans. During 2013/14 Gwynedd Council identified the following “soft loans”:

- Deferred Payments on charges due from people under care (amount outstanding at 31.03.14 = £2,875,949)
- Car and Bike Loans to employees (amount outstanding at 31.03.14 = £974,543)

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

(c) Financial Instruments - Gains and Losses

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

	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost	Loans and Receivables	Total
	£'000	£'000	2013/14 £'000
Interest expense	6,682	0	6,682
Impairment gains	0	(207)	(207)
Interest payable and similar charges	6,682	(207)	6,475
Interest income	0	(445)	(445)
Interest and investment income	0	(445)	(445)
Net (gain) / loss for the year	6,682	(652)	6,030

(d) Financial Instruments - Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2014, using the following assumptions:

- PWLB loans have been discounted at the published interest rates for new certainty rate loans arranged on 31st March.
- other long-term loans and investments have been discounted at the market rates for similar instruments on 31st March.
- 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 2013	Fair Value 31 March 2013	Carrying Amount 31 March 2014	Fair Value 31 March 2014
	£'000	£'000	£'000	£'000
Financial Liabilities:				
Loans borrowed	(113,942)	(152,632)*	(113,099)	(140,550)
Finance leases	(29)	(29)	(2,484)	(2,484)
Trade Payables	(57,064)	(57,064)	(61,785)	(61,785)
Total Financial Liabilities	(171,035)	(209,725)	(177,368)	(204,819)
Financial Assets:				
Long term investments	77	77	77	77
Short term investments	35,415	35,629	27,000	27,083
Trade Receivables	16,711	16,711	21,361	21,361
Total Financial Assets	52,203	52,417	48,438	48,521

*Figure has been restated as basis of fair value has changed from PRR (Premature Repayment Rate) to CNLR (Certainty New Loan Rate)

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

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

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 creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009, outlined that the return to creditors was projected to be 80p in the £ by the end of 2013, with the first dividend payment of 15p in the £ due in the summer of 2009.

The Council received a return of 77.25% amounting to £3,105,729 from the administrators up to 31 March 2013. During 2013/14 the administrators distributed a further 16.74% bringing the total return to 93.99%, amounting to £3,778,352.60 against the original deposit of £4million. Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 6 October 2008.

The additional receipt in 2013/14 resulted a decrease of £240,799 to the impairment that was calculated at 31 March 2013. An associated increase in the notional interest of £16,315 was also received. A relevant proportion of the increase in reduction in the impairment (£34,022) and notional interest (£2,305) has been allocated to the Pension Fund. Both adjustments are included within Investment Income in the Comprehensive Income and Expenditure Statement.

(e) Financial Instruments - Risks

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

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

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

The main risks covered are:

- *Credit Risk*: The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss for the other party.
- *Liquidity Risk*: The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk*: The possibility 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. These include commercial entities with a minimum long-term credit rating of A-, and other local authorities without credit ratings. 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.

A limit of £12m of the total portfolio is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit of £18m for institutions that are part of the same banking group. No more than £35m in total can 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 £27m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

The Council does not hold collateral against any investments.

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

Credit Rating	Short term	
	31 March 2013 £'000	31 March 2014 £'000
AAA	5,000	0
AA+	0	0
AA	0	0
AA-	10,000	10,000
A+	5,000	0
A	28,030	37,825
A-	0	0
Total Investments	48,030	47,825

Trade Receivables

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

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

The Council has launched a Business Loan Fund for small and medium sized businesses within Gwynedd. The interest rates charged on such loans being 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 2013 £'000	31 March 2014 £'000
Less than 1 year	1,237	1,193
Over 1 but not over 2	1,123	199
Over 2 but not over 5	4,490	4,625
Over 5 but not over 10	5,904	8,069
Over 10 but not over 20	25,572	39,305
Over 20 but not over 30	31,369	15,464
Over 30 but not over 40	0	0
Over 40	27,353	27,352
Uncertain date*	16,200	16,200
Total	113,248	112,407

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

Market Risks: Interest Rate Risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2014, 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	243	(89)
Impact on Surplus or Deficit on the Provision of Services	243	(89)
Decrease in fair value of fixed rate investment assets	0	0
Impact on Other Comprehensive Income and Expenditure	243	0
Decrease in fair value of fixed rate borrowings / liabilities*	(15,787)	15,787

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

Market Risks: Price Risk

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

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

Market Risks: Foreign Exchange Risk

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

NOTE 19 – INVENTORIES

2012/13 £'000	2013/14 £'000
1,257	1,455
1,257	1,455

NOTE 20 – SHORT-TERM DEBTORS

	Debtors NET of impairment	
	31 March 2013 £'000	31 March 2014 £'000
	Welsh Government	20,606
Other Central Government Bodies	6,360	4,164
Other Local Authorities	3,902	6,046
National Health Service	2,315	2,113
Public Corporations and Trading	32	45
Council Tax	1,773	1,927
Other Entities and Individuals	9,884	16,740
Total	44,872	52,062

NOTE 21 – CASH AND CASH EQUIVALENTS

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

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

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

	31 March 2013	31 March 2014
	£'000	£'000
Cash in hand	14	14
Bank current accounts	47	47
Call Accounts	13,030	20,825
	13,091	20,886
Bank overdraft	(11,787)	(19,496)
	1,304	1,390

In order to maximise the returns from Short Term Investments and Cash Deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts and therefore a proportion of the above Short Term Investments (Note 18) 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 £12.1m (£7.4m at 31 March 2013).

NOTE 22 – ASSETS HELD FOR SALE

	2012/13	2013/14
	£'000	£'000
Balance 1 April	1,607	2,905
<u>Assets newly classified as held for sale:</u>		0
Property, Plant and Equipment	1,602	1,199
Expenditure in year	2	16
Revaluation Losses	0	0
Revaluation Gains	0	0
Impairment Losses	(2)	(16)
<u>Assets declassified as held for sale:</u>		0
Property, Plant and Equipment	(60)	(1,062)
Assets sold	(244)	(554)
Transfers from non-current to current	0	0
Balance 31 March	2,905	2,488

NOTE 23 – SHORT-TERM CREDITORS

	31 March 2013 £'000	31 March 2014 £'000
Welsh Government	567	1,055
Other Central Government Bodies	6,699	4,301
Other Local Authorities	19,787	19,796
National Health Service	847	587
Public Corporations and Trading	192	136
Council Tax	905	1,012
Other Entities and Individuals	29,780	36,404
Total	58,777	63,291

NOTE 24 – 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 2013 £'000	(Addition) / Reduction / Transfer £'000	Used during the year £'000	Balance at 31 March 2014 £'000
<u>Short Term Provisions</u>				
Waste Site Provision	(1,160)	(721)	1,429	(452)
Other	(27)	0	0	(27)
	(1,187)	(721)	1,429	(479)
<u>Long Term Provisions</u>				
Council Tax Property Transfers	(250)	0	0	(250)
Equal Pay	(2,188)	0	97	(2,091)
Waste Site Provision	(8,705)	0	721	(7,984)
Third Party Provisions	(445)	0	257	(188)
MMI Insurance Provision	(198)	(212)	212	(198)
Other	(113)	0	0	(113)
	(11,899)	(212)	1,287	(10,824)
Total	(13,086)	(933)	2,716	(11,303)

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

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

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

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

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

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

NOTE 25 – USABLE RESERVES

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

NOTE 26 – UNUSABLE RESERVES

44,043	Revaluation Reserve	41,009
60	Available For Sale Financial Instruments Reserve	60
163,466	Capital Adjustment Account	169,777
(959)	Financial Instruments Adjustment Account	(948)
6	Deferred Capital Receipts Reserve	4
(168,179)	Pensions Reserve	(191,006)
(3,201)	Accumulated Absences Account	(3,766)
35,236	Total Unusable Reserves	15,130

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.

2012/13 £'000		2013/14 £'000
50,736	Balance 1 April	44,043
1,057	Upward revaluation of assets	263
(6,518)	Downward revaluation of assets and impairment losses	(1,692)
(5,461)	Surplus or deficit on revaluation of assets	(1,429)
(911)	Difference between fair value depreciation and historical cost depreciation	(1,066)
(321)	Accumulated gains on assets sold	(539)
(1,232)	Amount written off to the Capital Adjustment Account	(1,605)
44,043	Balance 31 March	41,009

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.

2012/13 £000		2013/14 £000
60	Balance 1 April	60
0	Upward revaluation of investments	0
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
60	Balance 31 March	60

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.

2012/13 £'000		2013/14 £'000
152,154	Balance 1 April	163,466
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(18,167)	Charges for depreciation and impairment of non-current assets	(25,426)
(6,452)	Revenue Expenditure funded from Capital under Statute	(6,222)
(491)	Adjustment to non-current assets balances when selling	(686)
911	Transfer from Capital Revaluation Reserve	1,066
	<u>Capital financing applied in the year:</u>	
2,345	Capital Receipts	1,377
19,170	Grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	18,989
5,692	Revenue provision for the financing of supported capital investment	5,731
7,574	Capital expenditure charged in year against the General Fund	10,516
730	Capital receipts set aside / Revenue provision for the financing of unsupported capital investment	966
163,466	Balance 31 March	169,777

Financial Instruments Adjustment Account

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

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

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

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

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

The transactions reflected in the FIAA for 2013/14 are as follows:

2012/13 £000		2013/14 £000
(1,015)	Balance 1 April	(959)
46	Proportion of premiums incurred in previous years charged to General Fund in accordance with statute	46
10	Deferred credit for receipt of charges due from people under care	(35)
(959)	Balance 31 March	(948)

Deferred Capital Receipts Reserve

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

2012/13 £000		2013/14 £000
8	Balance 1 April	6
(2)	Principal repayment of Right To Buy Mortgages	(2)
6	Balance 31 March	4

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.

2012/13 £000		2013/14 £000
(128,153)	Balance 1 April	(168,179)
(38,006)	Re-measurements of the net defined benefit liability / (assets)	(16,221)
(20,159)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(26,333)
18,139	Employer's pensions contributions and direct payments to pensioners payable in the year	19,727
(168,179)	Balance 31 March	(191,006)

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.

2012/13 £000		2013/14 £000
(4,060)	Balance 1 April	(3,201)
859	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	(565)
(3,201)	Balance 31 March	(3,766)

NOTE 27a – CASH FLOW STATEMENT : ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2012/13 £'000		2013/14 £'000
(11,430)	Depreciation	(11,386)
(6,735)	Impairment and downward valuations	(14,039)
(15,958)	(Increase)/Decrease in Creditors	(1,031)
16,063	Increase/(Decrease) in Debtors	7,059
(123)	Increase/(Decrease) in Stock	198
(2,020)	Pension Liability	(6,606)
(813)	Carrying amount of non-current assets sold	(1,226)
(3,544)	Other non-cash items charged to net surplus/deficit on the provision of services	(3,247)
(24,560)		(30,278)

NOTE 27b – CASH FLOW STATEMENT : ADJUST FOR ITEMS INCLUDED IN THE NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITES

2012/13 £'000		2013/14 £'000
856	Proceeds from sale of property, plant and equipment, investment property and intangible assets	1,514
856		1,514

NOTE 27c – CASH FLOW STATEMENT : OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/13 £'000		2013/14 £'000
(792)	Interest received	(576)
5,989	Interest paid	5,864

NOTE 28 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2012/13 £'000		2013/14 £'000
31,733	Purchase of property, plant and equipment, investment property and intangible assets	31,469
6,638	Other payments for investing activities	6,554
(934)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,544)
(144)	Proceeds from short-term and long-term investments	(8,416)
37,293	Net cash flows from investing activities	28,063

NOTE 29 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2012/13 £'000		2013/14 £'000
20	Cash payments for the reduction of the outstanding liability relating to Finance Leases	92
1,110	Repayments of short term and long term borrowing	843
1,130	Net cash flows from financing activities	935

NOTE 30 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

2013/14	Expenditure			Total	Income		Total	Net
	Employees	Other	Support Services		Expenditure	Fees and other		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS								
Human Resources	2,879	362	(23)	3,218	(56)	(59)	(115)	3,103
Finance	5,262	1,292	2	6,556	(1,686)	(920)	(2,606)	3,950
Democracy and Legal	1,764	741	1	2,506	(679)	(190)	(869)	1,637
Customer Care	6,175	2,220	129	8,524	(1,356)	(99)	(1,455)	7,069
Strategic and Improvement	4,401	4,063	7	8,471	(72)	(3,723)	(3,795)	4,676
Education	79,825	25,463	246	105,534	(6,761)	(15,827)	(22,588)	82,946
Economy and Community	4,731	10,440	19	15,190	(3,420)	(7,986)	(11,406)	3,784
Highways and Municipal	16,032	18,327	(7)	34,352	(7,922)	(3,867)	(11,789)	22,563
Regulatory	5,682	8,948	0	14,630	(3,969)	(4,591)	(8,560)	6,070
Consultancy	2,191	738	0	2,929	(2,685)	(226)	(2,911)	18
North & Mid Wales Trunk Road Agency	0	0	(106)	(106)	(142)	0	(142)	(248)
Provider and Leisure	20,213	(1,159)	258	19,312	(3,329)	(762)	(4,091)	15,221
Housing and Social Services	15,043	50,669	7	65,719	(11,222)	(10,304)	(21,526)	44,193
Total items within Departmental Control	164,198	122,104	533	286,835	(43,299)	(48,554)	(91,853)	194,982
Corporate	1,729	19,921	24,857	46,507	(1,133)	(33,617)	(34,750)	11,757
Corporate Management Team	859	70	1	930	0	(5)	(5)	925
Total items within Departmental Control and Central Support Services	166,786	142,095	25,391	334,272	(44,432)	(82,176)	(126,608)	207,664
Items within net cost of services, not under departmental control:								
Capital Charges	0	29,744	0	29,744	0	0	0	29,744
Items under departmental control, not included in net cost of services:								
Contributions to Reserves	(329)	(5,020)	0	(5,349)	0	0	0	(5,349)
Use of Reserves	0	0	0	0	2,121	0	2,121	2,121
Net Cost of Services	166,457	166,819	25,391	358,667	(42,311)	(82,176)	(124,487)	234,180
Other Operating Expenditure								
Precepts and Levies	0	19,144	0	19,144	0	0	0	19,144
(Gains)/Losses on the disposal of Non-current Assets	0	0	0	0	(288)	0	(288)	(288)
Financing and Investment Income and Expenditure								
Interest Payable and Similar Charges	0	6,682	0	6,682	(206)	0	(206)	6,476
Pensions Interest Cost and Expected Return on Pensions Assets	0	0	7,544	7,544	0	0	0	7,544
Interest and Income from Investments	0	0	0	0	(445)	0	(445)	(445)
Taxation and Non-specific Grant Income								
Council Tax	0	0	0	0	(66,095)	0	(66,095)	(66,095)
Net income Non-domestic rates	0	0	0	0	(38,209)	0	(38,209)	(38,209)
Government Grants - Revenue	0	0	0	0	0	(144,714)	(144,714)	(144,714)
Grants and Contributions - Capital	0	0	0	0	(2,967)	(14,946)	(17,913)	(17,913)
(Surplus)/ Deficit on the Provision of Services	166,457	192,645	32,935	392,037	(150,521)	(241,836)	(392,357)	(320)

2012/13	Expenditure			Total	Income		Total	Net
	Employees	Other	Support Services	Expenditure	Fees and other	Government Grants and Contributions	Income	Expenditure
AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	2,938	390	1	3,329	(71)	(40)	(111)	3,218
Finance	5,191	1,103	1	6,295	(1,638)	(1,066)	(2,704)	3,591
Democracy and Legal	2,180	930	6	3,116	(631)	(316)	(947)	2,169
Customer Care	5,000	3,031	8	8,039	(1,096)	(63)	(1,159)	6,880
Strategic and Improvement	3,434	3,118	7	6,559	(22)	(2,391)	(2,413)	4,146
Education	73,114	34,891	189	108,194	(6,736)	(21,667)	(28,403)	79,791
Economy and Community	4,748	8,092	15	12,855	(4,024)	(5,600)	(9,624)	3,231
Highways and Municipal	16,365	18,982	5	35,352	(8,966)	(4,311)	(13,277)	22,075
Regulatory	5,923	8,610	0	14,533	(3,901)	(4,077)	(7,978)	6,555
Consultancy	2,875	826	(433)	3,268	(2,491)	(204)	(2,695)	573
North & Mid Wales Trunk Road Agency	0	0	(85)	(85)	(145)	0	(145)	(230)
Provider and Leisure	25,392	(5,945)	1	19,448	(3,706)	(774)	(4,480)	14,968
Housing and Social Services	14,508	48,787	5	63,300	(11,015)	(10,816)	(21,831)	41,469
Total items within Departmental Control	161,668	122,815	(280)	284,203	(44,442)	(51,325)	(95,767)	188,436
Corporate	482	15,875	24,591	40,948	(354)	(41,060)	(41,414)	(466)
Corporate Management Team	607	190	0	797	0	(38)	(38)	759
Total items within Departmental Control and Central Support Services	162,757	138,880	24,311	325,948	(44,796)	(92,423)	(137,219)	188,729
Items within net cost of services, not under departmental control:								
Capital Charges	0	22,788	0	22,788	0	0	0	22,788
Items under departmental control, not included in net cost of services:								
Contributions to Reserves	(329)	(1,667)	0	(1,996)	0	0	0	(1,996)
Use of Reserves	0	0	0	0	2,824	0	2,824	2,824
Net Cost of Services	162,428	160,001	24,311	346,740	(41,972)	(92,423)	(134,395)	212,345
Other Operating Expenditure								
Precepts and Levies	0	18,882	0	18,882	0	0	0	18,882
(Gains)/Losses on the disposal of Non-current Assets	0	0	0	0	(42)	0	(42)	(42)
Financing and Investment Income and Expenditure								
Interest Payable and Similar Charges	0	6,730	0	6,730	0	0	0	6,730
Pensions Interest Cost and Expected Return on Pensions Assets	0	0	6,056	6,056	0	0	0	6,056
Interest and Income from Investments	0	0	0	0	(682)	0	(682)	(682)
Taxation and non-specific Grant Income								
Council Tax	0	0	0	0	(63,374)	0	(63,374)	(63,374)
Net income Non-domestic rates	0	0	0	0	(32,801)	0	(32,801)	(32,801)
Government Grants - Revenue	0	0	0	0	0	(136,566)	(136,566)	(136,566)
Grants and Contributions - Capital	0	0	0	0	(504)	(15,284)	(15,788)	(15,788)
(Surplus)/ Deficit on the Provision of Services	162,428	185,613	30,367	378,408	(139,375)	(244,273)	(383,648)	(5,240)

NOTE 31 – AGENCY SERVICES

The Council carries out certain work on an agency basis, and also administers the North and Mid Wales Trunk Road Agency on behalf of the Welsh Government.

In terms of the North and Mid Wales Trunk Road Agency, the principal area of work is managing and maintaining the trunk road network in the region of the North and Mid Wales Council’s Partnership that extends to 1,174 kilometres. The income transactions recovered during the year 2013/14 was £51.91m (£51.26m in 2012/13).

During 2013/14 Gwynedd Council acted as an agent as part of the Welsh Government’s ‘Houses into Homes’ scheme, providing interest free loans to owners of empty dwellings in order to bring the properties back into use, for sale or rent. During 2013/14 loans amounting to £159,000 were given for houses in Gwynedd (£50,000 in 2012/13).

NOTE 32 – MEMBERS’ ALLOWANCES

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

2012/13		2013/14
£'000		£'000
1,215	Allowances	1,260
64	Expenses	65
1,279		1,325

NOTE 33 – OFFICERS’ REMUNERATION

33a. 7A (1) (b) of the Accounts and Audit (Wales) (Amendment) Regulations 2010, require the Council to disclose the following information relating to employees appointed as Senior Officers, and whose salary is between £60,000 and £150,000. In compliance with the defined requirements, the pensionable pay, employer’s pension contributions and other employer costs are included below, but the employer’s national insurance contributions are excluded. Included below is the related gross costs, where substantial savings have been made from senior management restructuring of the Council:

2012/13				Chief Officers	2013/14			
Salary	Employer's Pension Contributions	Other Employer Costs	Total		Salary	Employer's Pension Contributions	Other Employer Costs	Total
£	£	£	£		£	£	£	£
108,264	23,710	0	131,974	Chief Executive ¹	108,264	24,251	174,298	306,813
86,040	18,843	0	104,883	Corporate Director	88,960	19,927	0	108,887
86,040	18,843	0	104,883	Corporate Director	88,960	19,927	0	108,887
86,040	18,843	0	104,883	Corporate Director ²	44,480	9,964	60,030	114,474
				Corporate Director ³	41,144	9,216	0	50,360
73,856	16,174	0	90,030	Head of Education ⁴	75,511	16,914	25,813	118,238
71,002	15,549	0	86,551	Head Soc Serv, Housing & Leisure/Stat Director ⁵	44,042	9,865	0	53,907
70,970	15,542	0	86,513	Head of Highways and Municipal	73,578	16,482	0	90,060
67,716	14,830	0	82,546	Head of Finance	70,263	15,739	0	86,002
67,716	14,830	0	82,546	Head of Economy & Community	70,263	15,739	0	86,002
67,716	14,830	0	82,546	Head of Customer Care	70,263	15,739	0	86,002
67,716	14,830	0	82,546	Head of Regulatory	70,263	15,739	0	86,002
67,716	14,830	0	82,546	Head of Strategic & Improvement	70,263	15,739	0	86,002
67,716	14,830	0	82,546	Head of Human Resources	63,237	14,165	0	77,402
60,332	13,213	0	73,545	Head of Gwynedd Consultancy	59,353	13,295	0	72,648
54,173	11,864	0	66,037	Head of Democracy and Legal ⁶	56,210	12,591	99,834	168,635
0	0	0	0	Head of Children and Supporting Families ⁷	19,719	4,417	0	24,136

• “Other Employer Costs” above - in accordance with the requirements the related commitments as known to the Council as at 31 March 2014 are included.

• Other references to the above table:

- 1 Holder in post to end of September 2014
- 2 Holder in post to end of September 2013
- 3 New holder in above post (2) from beginning of October 2013
- 4 Holder in post to end of August 2014
- 5 Post existed to end of September 2013
- 6 Holder in post to end of August 2014
- 7 Holder in new post from beginning of December 2013

33b. Other Authority employees receiving more than £60,000 remuneration for the year (excluding employer's pension and national insurance contributions), were paid the following amounts. The figures include termination benefits paid in 4 cases in 2013/14 and 2 cases in 2012/13. 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 2012/13			Number in 2013/14			
Schools	Other	Total		Schools	Other	Total
8	2	10	£60,000 - 64,999	7	0	7
5	0	5	£65,000 - 69,999	5	0	5
1	1	2	£70,000 - 74,999	1	0	1
2	0	2	£75,000 - 79,999	2	0	2
0	0	0	£80,000 - 84,999	0	1	1
0	0	0	£85,000 - 89,999	0	0	0
1	0	1	£90,000 - 94,999	1	1	2
0	0	0	£95,000 - 99,999	1	0	1
0	0	0	£100,000 - 104,999	1	0	1

NOTE 34 – EXTERNAL AUDIT COSTS

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

2012/13		2013/14
£'000		£'000
313	Fees for External Audit Services	272
112	Fees for grant claims and returns	139
425		411

The 'Fees for External Audit Services' in 2013/14 includes £6,258 (£10,600 in 2012/13) audit fees relating to the Joint Committees.

NOTE 35 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	Note	2012/13 £'000	2013/14 £'000
Credited to Taxation and Non Specific Grant Income			
Outcome Agreement Grant (Non-ringfenced Government Grants)	13	1,300	1,290
Revenue Support Grant (Non-ringfenced Government Grants)	13	135,266	143,424
Government Capital Grants and Contributions -			
21st Century Schools		3,213	2,673
General Capital Grant		2,461	2,543
Physical Regeneration in North Wales		2,998	704
ERDF - Convergence		2,393	208
Other		4,219	8,818
	13	<u>15,284</u>	<u>14,946</u>
Other Capital Grants and Contributions	13	<u>504</u>	<u>2,967</u>
Total		152,354	162,627
Grants and Contributions Credited to Services			
Welsh Government -			
Supporting People Grant (SPG & SPRG)		5,334	5,925
Foundation Phase Grant (Education)		3,881	4,032
Sustainable Waste Management Grant		3,920	3,696
Post 16 Grant (Education)		4,295	3,310
Potential Grant		0	3,156
14-19 Paths (Education)		4,212	767
Concessionary Fare Grant		2,040	557
Other		18,771	16,173
		<u>42,453</u>	<u>37,616</u>
Other Government Grants and Contributions -			
Department for Work and Pensions		38,363	29,708
Other		11,608	14,852
		<u>49,971</u>	<u>44,560</u>
Other Grants and Contributions		<u>1,778</u>	<u>768</u>
		94,202	82,944

Revenue Support Grant (Non-ringfenced Government Grants)

• An increase of £8m relates to the Council Tax Reduction Scheme to reflect a change in the financing source to Welsh Government, has resulted in a change in the reporting arrangements, and accounts for the substantial movement between 2012/13 and 2013/14 (Note 35).

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 2013 £'000	31 March 2014 £'000
Grants Received in Advance	£'000	£'000
<u>Long Term</u>		
Revenue Grants and Contributions : -		
Regulatory (Planning, Transport & Public Protection) Grants	499	682
Housing Grants	495	426
	994	1,108
Capital Grants and Contributions : -		
Highways and Municipal Capital Contributions	0	1,956
Regulatory (Planning, Transport & Public Protection) Grants	245	878
	245	2,834
Total Long Term	1,239	3,942
<u>Short Term</u>		
Revenue Grants and Contributions : -		
Economy and Community Grants	503	306
Housing Grants	263	285
Education Grants	1,248	261
Regulatory (Planning, Transport & Public Protection) Grants	13	251
Social Services Grants	183	152
Consultancy Grants	42	29
Provider and Leisure Grants	49	23
Democracy and Legal Grants	0	7
Highways and Municipal Grants	3	3
Strategic and Improvement Grants	1	0
	2,305	1,317
Capital Grants and Contributions : -		
Economy and Community Grants	79	215
Highways and Municipal Capital Contributions	0	146
Housing Grants	139	97
	218	458
Total Short Term	2,523	1,775
Total	3,762	5,717

NOTE 36 – RELATED PARTIES

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

Welsh & Central Government

Welsh Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has within other parties (e.g. council tax bills, housing benefits). Grants received from Welsh and other Government departments are set out in the subjective analysis in Note 30 on reporting for resources allocation decisions. The related position as at 31 March is provided in Note 35.

Members

Members of the council have direct control over the Council's financial and operating policies. 5 members of the Council did not return a personal declaration. The total of members' allowances paid in 2013/14 is shown in Note 32.

The Authority appoints members to some external charitable or voluntary bodies or they have disclosed a link to organisations, public bodies and authorities. A breakdown of the payments and balances at 31 March 2014 made to these bodies under this heading during 2013/14 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£9,534,211	£5,006,429	(£6,486,289)

Members have declared an interest or relationship (as defined) in companies or businesses which may have dealings with the Authority. A breakdown of the payments and balances at 31 March 2014 made to these companies under this heading during 2013/14 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£2,650,012	£171,817	(£54,733)

Officers

Senior Officers (as defined) have declared as required and where appropriate an interest or relationship (as defined) in companies, voluntary, charitable, or public bodies which receive payments from the Authority. A breakdown of the payments and balances at 31 March 2014 made to these bodies under this heading during 2013/14 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£4,317,783	£725,311	(£288,340)

Other Public Bodies

The Authority is the administering authority for the Pension Fund. Details of transactions with the Pension Fund are shown in Note 42 on pages 76 to 80 and the Pension Fund Accounts on pages 84 to 115.

Welsh Joint Education Committee (WJEC)

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£544,912	£128,360	-

Entities Controlled or Significantly Influenced by the Authority

Cwmni Cynnal Cyf. was established in 1996 to provide education support services under contract to maintained schools and the local education authorities as well as school inspection services to Estyn. The company is limited by guarantee and the Council's liability is limited to £1. The income of the company can only be applied towards promotion of its objectives. Copies of the financial statements are available from Cwmni Cynnal Cyf., Plas Llanwnda, Caernarfon, Gwynedd LL55 1SH. Payments and balances at 31 March 2014 to Cwmni Cynnal during 2013/14 for services to schools are as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£ 1,416,951	£ 75,464	(£27,000)

Cwmni Gwastraff Môn-Arffon Cyf. was established as a Local Authority Waste Disposal Company in 1994. The Company operated two waste management sites in Anglesey and Gwynedd which were leased from the Local Authorities. A significant element of the Company's activities related to contracts with the two Local Authorities. Following a change in legislation, the two Councils decided to close the company down during 2007/08 and to undertake the work in-house. The relevant operational assets and liabilities and the staff were transferred to the Council in January 2008. The remaining assets and liabilities will be divided between the two Councils when the Company is wound up. The Company's final accounts have not yet been completed but the investment on the Balance Sheet has been re-valued to reflect its true value when the final distribution of assets takes place. During 2008/09 £1,183,580 was received as part of the settlement, £800,000 was received during 2009/10 and the final payment of approximately £60,000 remains outstanding.

NOTE 37 – 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 2013 £'000		31 March 2014 £'000
373,433	Non-current Assets	384,095
(44,043)	Revaluation Reserve	(41,009)
(163,466)	Capital Adjustment Account	(169,777)
165,924	Capital Financing Requirement	173,309

The movement in the year is explained as follows:

2012/13		2013/14
£'000		£'000
162,825	Capital Financing Requirement 1 April	165,924
9,817	Land and Buildings	20,454
13,737	Infrastructure	8,865
3,402	Vehicles, Plant and Equipment	4,303
20	Community Assets	4
4,923	Assets under construction	5,100
2	Assets held for sale	16
6,452	Funded from capital under statute	6,222
257	Capitalisation of contribution to landfill aftercare provision	0
(2,345)	Capital Receipts used	(1,377)
(19,170)	Government Grants and other contributions	(18,989)
(7,574)	Capital expenditure charged to revenue	(10,516)
(5,692)	Revenue provision for the financing of supported capital investment	(5,731)
	Additional voluntary set aside :	
(730)	Revenue provision for the financing of unsupported capital investment	(966)
165,924	Capital Financing Requirement 31 March	173,309

NOTE 38 – LEASES

Authority as Lessee

Finance Leases

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

31 March		31 March
2013		2014
£'000		£'000
71	Property, Plant and Equipment	4,734
71		4,734

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:

31 March 2013 £'000	31 March 2014 £'000
Finance Lease Liabilities (net present value of minimum lease payments):	
14 current	112
15 non-current	2,372
1 Finance costs payable in future years	0
30 Minimum lease payments	2,484

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
	No later than one year	15	112	14
Later than one year and not later than five years	15	521	15	521
More than five years	0	1,851	0	1,851
	30	2,484	29	2,484

In 2013/14, minimum lease payments were made by the Authority of £32,392 (2012/13 - £23,528) in respect of those assets held as a finance lease.

Operating Leases

	31 March 2013 £'000	31 March 2014 £'000
No later than one year	250	312
Later than one year and not later than five years	44	169
Later than five years	0	0
	294	481

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

	2012/13 £'000	2013/14 £'000
Minimum lease payments	613	493
Contingent rents	0	0
	613	493

Authority as Lessor

Finance Leases

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

Operating Leases

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

- for the provision of community services, such as sports facilities, tourism services and community 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	31 March
	2013	2014
	£'000	£'000
No later than one year	428	352
Later than one year and not later than five years	847	714
Later than five years	2,221	2,147
	3,496	3,213

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 2013/14 £1,017,925 minimum lease payments were receivable by the Authority (£930,137 in 2012/13).

NOTE 39 – IMPAIRMENT LOSSES

Notes 15 and 22 show the movement by class of assets for impairment losses and reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

NOTE 40 – 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 2014 are included. Included below are the related gross costs but not the financial savings to the Council, where appropriate.

(a)	(b)		(c)		(d)		(e)	
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 £'000	
£	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
0 - 20,000	45	58	0	7	45	65	224	382
20,001 - 40,000	8	7	0	1	8	8	207	211
40,001 - 60,000	2	3	0	0	2	3	95	165
60,001 - 80,000	1	1	0	1	1	2	70	125
80,001 - 100,000	1	0	0	1	1	1	87	100
100,001 - 150,000	0	0	0	0	0	0	0	0
150,001 - 200,000	0	0	0	1	0	1	0	174
Total	57	69	0	11	57	80	683	1,157

NOTE 41 – PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

In 2013/14 the Council paid £6.03m (£6.01m in 2012/13) in respect of teachers' pension costs, which represented 13.68% (13.89% in 2012/13) 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 2013/14 these amounted to £1.27m (£0.96m in 2012/13) representing 2.87% (2.30% in 2012/13) of teachers' pensionable pay. These costs are accounted for on a defined benefits basis and are included in Note 42.

NOTE 42 – 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 final salary scheme, meaning that the authority and 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:

Change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability	Period ended 31 March 2013			Period ended 31 March 2014		
	Assets	Liabilities	Net (liability) /asset	Assets	Liabilities	Net (liability) /asset
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	365,096	0	365,096	418,033	0	418,033
Present Value of Funded Liabilities	0	(493,249)	(493,249)	0	(559,752)	(559,752)
Present Value of Unfunded Liabilities	0	0	0	0	(26,460)	(26,460)
Opening Position at 31 March	365,096	(493,249)	(128,153)	418,033	(586,212)	(168,179)
Service Cost						
Current Service Cost*	0	(13,907)	(13,907)	0	(18,481)	(18,481)
Past Service Costs(including curtailments)	0	(196)	(196)	0	(308)	(308)
Total Service Cost	0	(14,103)	(14,103)	0	(18,789)	(18,789)
Net interest						
Interest Income on Plan Assets	17,669	0	17,669	18,937	0	18,937
Interest Cost on Defined Benefit Obligation	0	(23,725)	(23,725)	0	(26,481)	(26,481)
Total Net Interest	17,669	(23,725)	(6,056)	18,937	(26,481)	(7,544)
Total Defined Benefit Cost Recognised in Profit/(Loss)	17,669	(37,828)	(20,159)	18,937	(45,270)	(26,333)
Cashflows						
Plan participants contributions	4,654	(4,654)	0	4,912	(4,912)	0
Employer contributions	16,484	0	16,484	17,857	0	17,857
Contributions in respect of funded benefits	1,739	0	1,739	1,744	0	1,744
Benefits Paid	(14,949)	14,949	0	(16,538)	16,538	0
Unfunded Benefits Paid	(1,739)	1,739	0	(1,744)	1,744	0
Expected Closing Position	388,954	(519,043)	(130,089)	443,201	(618,112)	(174,911)
Re-measurements						
Change in demographic assumptions	0	0	0	0	(15,484)	(15,484)
Change in financial assumptions	0	(67,375)	(67,375)	0	(13,567)	(13,567)
Other experience		206	206	0	(33,406)	(33,406)
Return on Assets excluding amounts included in net interest	29,079	0	29,079	46,362	0	46,362
Total remeasurements recognised in Other Comprehensive Income (OCI)	29,079	(67,169)	(38,090)	46,362	(62,457)	(16,095)
Fair Value of Employer Assets	418,033	0	418,033	489,563	0	489,563
Present Value of Funded Liabilities	0	(559,752)	(559,752)	0	(653,270)	(653,270)
Present Value of Unfunded Liabilities	0	(26,460)	(26,460)	0	(27,299)	(27,299)
Closing Position at 31 March 2014	418,033	(586,212)	(168,179)	489,563	(680,569)	(191,006)

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

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

The actuary has provided a detailed breakdown of Fund assets in accordance with the requirements of IAS19. This analysis distinguishes between the nature and risk of those assets and to further break them down between those with a quoted price in an active market and those that do not. The asset split for Gwynedd Council is assumed to be in the same proportion to the Fund's asset allocation as at 31 December 2013. The split is shown in the table above. The actuary estimates the bid value of the Fund's assets as at 31 March 2014 to be £1,305,000,000 based on information provided by the Administering Authority and allowing for index returns where necessary.

Fair Value of Employer Assets

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

Asset Category	At 31 March 2013				At 31 March 2014			
	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	4,972	0	4,972	1	9,166	0	9,166	2
Energy and Utilities	12,678	0	12,678	3	11,721	0	11,721	2
Financial Institutions	7,022	0	7,022	2	4,091	0	4,091	1
Health and Care	21,077	0	21,077	5	21,696	0	21,696	4
Information Technology	6,549	0	6,549	2	13,658	0	13,658	3
Other	20,137	0	20,137	5	22,330	0	22,330	5
Private Equity								
All	0	20,579	20,579	5	0	23,428	23,428	5
Real Estate								
UK Property	0	35,851	35,851	9	0	42,131	42,131	9
Overseas Property	0	1,287	1,287	0	0	1,251	1,251	0
Investment Funds and Unit Trusts								
Equities	9,306	128,648	137,954	33	109,813	143,424	253,237	52
Bonds	0	55,246	55,246	33	0	72,767	72,767	15
Infrastructure	0	2,084	2,084	0	0	2,159	2,159	0
Derivatives								
Inflation	0	1,074	1,074	0	0	0	0	0
Cash and Cash Equivalents								
All	9,244	0	9,244	2	11,927	0	11,927	2
Total	90,985	244,769	335,754	100	204,402	285,160	489,562	100

Basis for estimating assets and liabilities

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

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

	31 March 2013	31 March 2014
Financial Assumptions	% p.a.	% p.a.
Pensions Increase Rate	2.8	2.8
Salary Increase Rate	5.1*	4.6**
Inflation Rate	2.8	2.8
Discount rate	4.5	4.3
Long term expected rate of return on all categories of assets	4.5	4.3
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	20.5	22
Women	23	24
Longevity at 65 for future pensioners		
Men	23.3	24.4
Women	25.6	26.6

*Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter.

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2014 on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided in this note.

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

Impact on the Defined Benefit Obligation in the Scheme		
Change in assumption	Approximate increase to Employer 31 March 2014	Approximate monetary amount 31 March 2014
	%	£'000
0.5% decrease in real discount rate	11	68,912
1 year increase in life expectancy	3	19,048
0.5% increase in the salary increase rate	4	24,247
0.5% increase in the pension increase rate	7	43,344

Impact on the Council's Cash Flows

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

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

Information about the Defined Benefit Obligation

	Liability Split		Duration
	£'000	%	
Active Members	327,957	50.2	24.9
Deferred Members	87,498	13.4	24.2
Pensioner Members	237,815	36.4	11.4
Total	653,270	100.0	19.9

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

Impact in Future Years

Future IAS19 reporting will take account of the national changes to the scheme under the Public Pensions Services Act 2013 and the change from final salary benefits to career average revalued benefits for service from 1st April 2014 onwards.

The total contributions expected to be made to the Local Government Pensions Scheme by the Council in the year to 31 March 2015 is £17.2m.

As the Actuary's report is based on estimates and due to timing issues, there is a variance of £125,323 in 2013/14 (£84,000 in 2012/13) between the deficit in the Scheme based on the Actuarial figures in comparison with the Liability related to the defined benefit pension schemes in the Balance Sheet. This variance has been treated as Actuarial Gains and Losses on Pension Assets and Liabilities and therefore has been included in the Liability related to the defined benefit pension schemes in the Balance Sheet.

NOTE 43 – CONTINGENT LIABILITIES

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

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

- Position in respect of Equal Pay Claims – a provision is contained within the Authority's Accounts and reflects the best estimate of potential cost as at 31 March 2014. The actual final position and liability will depend on the outcome of the outstanding claims.
- The capping and aftercare requirements for the Authority's landfill sites – the provision contained in the accounts is based on existing and known circumstances, in addition to relevant forecasts. However, the actual final cost may differ from the current estimated future cost.
- This Authority is exposed to a potential insurance liability relating to the insurance arrangements of its predecessor authorities, being, Gwynedd County Council, Arfon Borough

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

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

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

NOTE 44 – TRUSTS

The Council acts as sole trustee for 173 bequests such as school prize funds and comforts and improvements to numerous Council Establishments.

As a sole trustee the authority holds the property of each trust but takes no decisions on its use. In all cases the funds do not represent the assets of the Authority and therefore they have not been included in the Balance Sheet.

2013/14	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Social Services Trust Funds	6	21	389	42
Educational Trust Funds	58	33	882	673
FMG Morgan Trust Fund	8	2	152	145
Welsh Church Fund	348	19	872	38
	420	75	2,295	898

2012/13	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Social Services Trust Funds	74	11	403	42
Educational Trust Funds	49	20	854	672
FMG Morgan Trust Fund	6	2	146	25
Welsh Church Fund	17	12	561	42
	146	45	1,964	781

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

NOTE 45 – HOUSING REVENUE ACCOUNT

The Welsh Government decided that all council housing stock in Wales should meet the Welsh Housing Quality Standard (WHQS). Gwynedd Council did not have the resources to achieve the WHQS within the necessary timescale, and accordingly Gwynedd Council's housing stock was transferred to a Registered Social Landlord which was established specifically for this purpose. The housing stock was transferred to Cartrefi Cymunedol Gwynedd on 12 April 2010. There has been no income or expenditure relating to the Housing Revenue Account since 2010/11. However, during 2013/14, following consent from the Welsh Government that it was possible to completely close the

Housing Revenue Account, the balance of the Account was transferred for the use of the Council and is now in the Council's Earmarked Reserves.

2012/13	2013/14
£'000	£'000
1,727 Balance on the Housing Revenue Account on 1 April	1,727
1,727 Balance on the Housing Revenue Account on 31 March	0

NOTE 46 – SERVICE CONCESSION ARRANGEMENTS

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

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

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Paid in 2013/14	290	63	92	445
Payable in 2014/15	498	112	153	763
Payable within 2 to 5 years	1,991	521	539	3,051
Payable within 6 to 10 years	2,489	854	472	3,815
Payable within 11 to 15 years	2,198	997	174	3,369
Total	7,466	2,547	1,430	11,443

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

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

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

	2013/14	
	Lease Liability	Deferred Income
	£'000	£'000
Balance outstanding at 1 April 2013	(2,547)	(2,187)
Repayment of principal during the year	63	0
Release of deferred income	0	85
Balance outstanding at 31 March 2014	(2,484)	(2,102)

NOTE 47 – JOINT COMMITTEES

During 2013/14, Gwynedd Council participated in six joint-committees, collaborating in particular areas between Local Authorities. Separate accounts are required for joint-committees. The six joint-committees relating to Gwynedd are:

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

The Joint Committee accounts follow the same timetable in terms of the statutory dates for the completion of the accounts. In the circumstances, therefore Gwynedd Council's Accounts reflects the related actual net liability, although the subjective analysis position varies subject to circumstances and the reporting arrangements of the various joint committees. Figures have not been included within the body Gwynedd's Statements of Accounts, however the figures that are subject to audit and the share relating to Gwynedd have been included in Appendix D 'Joint Committees Summary'.

GWYNEDD PENSION FUND ACCOUNTS 2013/14

31 March 2013 £'000		Notes	31 March 2014 £'000
	Dealings with members, employers and others directly involved in the fund		
63,451	Contributions Receivable	7	65,700
18	Interest on Deferred Contributions		17
1	Income from Divorce Calculations		3
0	Interest on Late Payment of Contributions		0
3,126	Transfers in from other pension schemes	8	3,810
66,596	Total contributions received		69,530
(41,714)	Benefits Payable	9	(45,167)
(2,592)	Payments to and on account of leavers	10	(1,516)
(1,068)	Administrative Expenses	11	(1,268)
(45,374)	Total benefits paid		(47,951)
21,222	Net additions from dealings with members		21,579
	Returns on Investments		
11,929	Investment income	12	13,993
(335)	Taxes on income	13	(466)
116,102	Profit and (losses) on disposal of investments and changes in the market value of investments	15	88,421
(5,720)	Investment management expenses	14	(6,850)
121,976	Net returns on investments		95,098
	Net assets of the Fund		
1,049,671	At 1 st April		1,192,869
21,222	Net additions from dealings with members		21,579
121,976	Net returns on investments		95,098
1,192,869			1,309,546

NET ASSETS STATEMENT AS AT 31 MARCH 2014

31 March 2013		Notes	31 March 2014
£'000			£'000
1,170,051	Investment assets	15	1,280,403
17,316	Cash deposits	15	15,453
1,187,367			1,295,856
(4,297)	Investment liabilities	15	(308)
13,682	Current assets	20	17,450
(3,883)	Current liabilities	21	(3,452)
1,192,869			1,309,546

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 summarise the transactions and net assets of the scheme. The liabilities of the Fund are taken into account in the periodic actuarial valuations of the Fund (the most recently as at 31 March 2013) and are reflected in the levels of employers' contributions determined at the valuation, so that the Fund will again be able to meet 100% of future liabilities. The actuarial present value of promised retirement benefits is shown in Note 19.

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE I – DESCRIPTION OF FUND

The Gwynedd Pension Fund (“the fund”) is part of the Local Government Pension Scheme and is administered by Gwynedd Council. The council is the reporting entity for this pension fund. The following description of the fund is a summary only. For more detail, reference should be made to the Gwynedd Pension Fund Annual Report 2013/14 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The fund is governed by the Superannuation Act 1972. The fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended);
- the LGPS (Administration) Regulations 2008 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2009.

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 scheduled, resolution and admission bodies within the old 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 parish 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.

There are 59 employer organisations within Gwynedd Pension Fund including the council itself, as detailed below:

Gwynedd Pension Fund	31 March 2013	31 March 2014
Number of employers with active members	40	39
Number of employees in scheme		
Gwynedd Council	5,391	6,525
Other employers	9,408	8,606
Total	14,799	15,131
Number of pensioners		
Gwynedd Council	2,153	2,296
Other employers	5,078	5,288
Total	7,231	7,584
Deferred pensioners		
Gwynedd Council	3,601	4,313
Other employers	4,768	6,187
Total	8,369	10,500

The following bodies are active employers within the Pension Fund:

Scheduled Bodies	
Gwynedd Council	Snowdonia National Park
Conwy County Borough Council	Bryn Eilian School
Isle of Anglesey County Council	Emrys ap Iwan School
Police and Crime Commissioner for North Wales	Pen y Bryn School
Llandrillo – Menai Group	Eirias High School
Resolution Bodies	
Llanllyfni Community Council	Ffestiniog Town Council
Bangor City Council	Llandudno Town Council
Abergele Town Council	Llangefni Town Council
Colwyn Bay Town Council	Menai Bridge Town Council
Beaumaris Town Council	Towyn and Kinmel Bay Town Council
Holyhead Town Council	Tywyn Town Council
Caernarfon Town Council	
Admission Bodies	
Coleg Harlech WEA	North Wales Society for the Blind
CAIS	Conwy Voluntary Services
Conwy Citizens Advice Bureau	Careers Wales North West
Ynys Môn Citizens Advice Bureau	Mantell Gwynedd
Cwmni Cynnal	Medrwn Môn
Cwmni'r Fran Wen	Menter Môn
Holyhead Joint Burial Committee	
Community Admission Bodies	
Cartrefi Conwy	Cartrefi Cymunedol Gwynedd
Transferee Admission Body	
Eden Foods (no active members since 31 August 2013)	Jewsons

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2014. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. During 2013/14 employer contribution rates ranged from 5.1% to 29.1% of pensionable pay. New employer contribution rates will be applied from 1st April 2014 following the actuarial valuation carried out as at 31 March 2013.

d) Benefits

Pension benefits under the LGPS are 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.

Service from 1 April 2014 onwards will be based on new regulations as follows:

	Service post 31 March 2014
Pension	Each year worked is worth 1/49 x 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.

There are a range 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 2013/14 financial year and its position at year-end as at 31 March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 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. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 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' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds including property

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

iv) Movement in the net market value of investments.

Changes in the net market value of investments (including investment properties) 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) 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. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

g) Investment management expenses

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

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

In addition the fund has negotiated with the following manager that an element of their fee be performance related:

Fidelity – Global Equity

Performance-related fees of £37,844 were paid to the managers in 2013/14 (£0 in 2012/13).

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

h) Financial assets

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

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

- i) **Market-quoted investments**
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- ii) **Fixed interest securities**
Fixed interest securities are recorded at net market value based on their current yields.
- iii) **Unquoted investments**
The fair value of investments for which market quotations are not readily available is determined as follows:
 - Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.
 - Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
 - Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other 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 and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
 - Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with IFRS guidelines. It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.
- iv) **Limited partnerships**
Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.
- v) **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.

i) **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.

j) **Derivatives**

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

k) 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.

l) 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.

m) Actuarial present value of promised retirement benefits

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

As permitted under IAS26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement. (Note 19).

n) 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 22).

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure are valued by the investment managers using guidelines set out by IFRS accounting standards. The value of unquoted securities at 31 March 2014 was £64 million (£62 million at 31 March 2013).

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

The items in the net assets statement at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The net pension liability would change if the assumptions used were changed. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability, an increase in assumed earnings inflation would increase the value of liabilities and an increase in assumed life expectancy would increase the liability.
Debtors	At 31 March 2014, the fund had a balance of sundry debtors of £6.8m. A review of significant balances suggested that it was not appropriate to make any impairment of the debts.	If collection rates were to deteriorate, it would be necessary to reconsider this decision.
Private equity and infrastructure	Private equity and infrastructure investments are valued at fair value in accordance with IFRS accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £64 million. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6 – EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2014, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

NOTE 7 – CONTRIBUTIONS RECEIVABLE

By category

2012/13 £'000		2013/14 £'000
49,126	Employers	50,908
14,325	Employees/Members	14,792
63,451		65,700

By authority

2012/13 £'000		2013/14 £'000
21,333	Gwynedd Council	23,297
36,999	Other Scheduled bodies	38,065
2,827	Admission bodies	1,722
2,033	Community admission body	2,369
63	Transferee admission body	31
142	Resolution Body	162
54	Closed fund*	54
63,451		65,700

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

NOTE 8 – TRANSFERS IN FROM OTHER PENSION FUNDS

2012/13 £'000		2013/14 £'000
3,126	Individual transfers	3,810
3,126		3,810

NOTE 9 - BENEFITS PAYABLE

By category

2012/13 £'000		2013/14 £'000
32,237	Pensions	34,425
8,583	Commutation and lump sum retirement benefits	9,787
894	Lump sum death benefits	955
41,714		45,167

By authority

2012/13 £'000		2013/14 £'000
10,169	Gwynedd Council	11,613
18,182	Other Scheduled bodies	20,012
1,223	Admission bodies	984
543	Community admission body	1,000
15	Transferee admission body	75
11,495	Closed Fund	11,414
87	Resolution Body	69
41,714		45,167

NOTE 10 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2012/13 £'000		2013/14 £'000
37	Refunds to members leaving service net of tax repayments	(1)
1	Payments for members joining state scheme	1
2,554	Individual transfers	1,516
2,592		1,516

NOTE 11 – ADMINISTRATIVE EXPENSES

2012/13 £'000		2013/14 £'000
393	Direct employee costs	427
87	Other direct costs	209
434	Support services including IT	366
66	Pension fund committee	50
25	External audit fees	29
63	Actuarial fees	187
1,068		1,268

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 23.

NOTE 12 – INVESTMENT INCOME

2012/13 £'000		2013/14 £'000
6	Fixed Interest Securities	0
1,176	UK equities	2,816
5,052	Overseas equities	5,374
923	Private equity	1,264
0	Infrastructure	99
4,593	Pooled property investments	4,322
179	Interest on cash deposits	118
11,929		13,993

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

The Council had a deposit of £4m with Heritable Bank, which went into administration in October 2008. An impairment of £2,723 was charged to the Pension Fund in 2012/13. During 2013/14 a distribution of £36,327 was received by the Pension Fund. These amounts have been included in the interest on cash deposits figure for the relevant year in the above table. Further information is included in Note 26.

NOTE 13 – TAXES ON INCOME

2012/13 £'000		2013/14 £'000
335	Withholding tax – equities	466
335		466

NOTE 14 – INVESTMENT MANAGEMENT EXPENSES

2012/13 £'000		2013/14 £'000
5,614	Management fees	6,720
46	Custody fees	50
16	Performance monitoring service	16
44	Investment consultancy fees	64
5,720		6,850

NOTE 15 – INVESTMENTS

2012/13 £'000		2013/14 £'000
	Investment assets	
157,644	Absolute return	194,386
206,697	Equities	238,975
634,387	Pooled investments	666,049
105,974	Pooled property investments	116,800
58,723	Private Equity	59,696
3,064	Infrastructure	4,497
	Derivative contracts:	
3,562	Forward currency contracts	0
1,170,051		1,280,403
17,316	Cash deposits	15,453
1,187,367	Total investment assets	1,295,856
	Investment liabilities	
	Derivative contracts:	
(3,620)	Forward currency contracts	0
(677)	Amounts payable for purchases	(308)
(4,297)	Total investment liabilities	(308)
1,183,070	Net investment assets	1,295,548

Note 15a – Reconciliation of movements in investments and derivatives

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

2012/13	Market value at 1 April 2012	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2013
	£'000	£'000	£'000	£'000	£'000
Fixed interest absolute return securities	150,723	0	(210)	7,131	157,644
Equities	153,058	206,019	(171,726)	19,346	206,697
Pooled investments	577,137	1,716	(30,999)	86,533	634,387
Pooled property investments	92,685	17,851	0	(4,562)	105,974
Private equity / infrastructure	58,645	9,359	(10,970)	4,753	61,787
	1,032,248	234,945	(213,905)	113,201	1,166,489
Forward foreign currency contracts	16			(82)	(58)
Cash deposits	17,624			(219)	17,316
Amount receivable for sales of investments	284				0
Amounts payable for purchases of investments	(6,756)				(677)
Fees within pooled vehicles				3,202	
Net investment assets	1,043,416	234,945	(213,905)	116,102	1,183,070

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 £186,342 (2012/13 £426,308). The costs for 2012/13 were higher than usual due to the transition to a new manager which involved a significant number of purchases and sales of investments. In addition to these costs indirect costs are incurred through the bid-offer spread on investments within pooled funds.

Note 15b – Analysis of investments (excluding derivative contracts)

31 March 2013		31 March 2014
£'000		£'000
	Equities	
	UK	
45,299	Quoted	45,272
	Overseas	
161,398	Quoted	193,703
	Pooled funds	
	UK	
218,891	Unit trusts	229,634
	Global (including UK)	
157,644	Fixed income	194,386
211,337	Unit trusts	231,295
	Overseas	
204,159	Unit trusts	205,120
105,974	Property unit trusts	116,800
58,723	Private equity	59,696
3,064	Infrastructure	4,497
1,166,489		1,280,403

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the fund and the various investment managers.

Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's quoted equity portfolio is in overseas stock markets. The fund no longer hedges a proportion of the Euro within the portfolio managed by UBS.

Settlement	Asset Value	Liability Value
	£'000	£'000
Net forward foreign currency contracts at 31 March 2014		0
Prior year comparative		
Open forward foreign currency contracts at 31 March 2013	3,534	(3,518)
Net forward foreign currency contracts at 31 March 2013		16

Investments analysed by fund manager

Market Value at 31 March 2013			Market Value at 31 March 2014		
£'000	%		£'000	%	
412,513	34.9	BlackRock	427,249	33.0	
240,729	20.3	Fidelity	258,421	19.9	
157,648	13.3	Insight	194,394	15.0	
20,887	1.8	Lothbury	23,395	1.8	
61,787	5.2	Partners Group	64,193	5.0	
10,736	0.9	Threadneedle	12,001	0.9	
56,223	4.8	UBS	63,323	4.9	
222,547	18.8	Veritas	252,572	19.5	
1,183,070	100.0		1,295,548	100.0	

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

Market value 31 March 2013 £'000	% of total fund	Security	Market value 31 March 2014 £'000	% of total fund
211,337	17.71	Fidelity Institutional Select Global Equity	231,295	17.66
218,889	18.34	BlackRock Asset Management Aquila Life UK Equity Index Fund	229,633	17.53
157,644	13.21	Insight LDI Solution Bonds Plus	194,386	14.84

Note 15c – 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 16 – FINANCIAL INSTRUMENTS

Note 16a – Classification of financial instruments

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

As at 31 March 2013			As at 31 March 2014		
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					
157,644			194,386		
206,697			238,975		
634,387			666,049		
105,974			116,800		
58,723			59,696		
3,064			4,497		
3,562			0		
121	24,662		189	25,959	
	6,216			6,755	
1,170,172	30,878	0	1,280,592	32,714	0
Financial liabilities					
(3,620)			0		
(650)		(3,911)	(308)		(3,452)
(4,270)	0	(3,911)	(308)	0	(3,452)
1,165,902	30,878	(3,911)	1,280,284	32,714	(3,452)

Note 16b – 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 2013		31 March 2014	
Carrying value	Fair value	Carrying value	Fair value
£'000	£'000	£'000	£'000
Financial assets			
916,860	1,170,172	964,240	1,280,593
30,878	30,878	32,728	32,714
947,738	1,201,050	996,968	1,313,307
Financial liabilities			
(4,216)	(4,270)	(254)	(253)
(3,911)	(3,911)	(2,325)	(3,508)
(8,127)	(8,181)	(2,579)	(3,761)
939,611	1,192,869	994,389	1,309,546

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

Note 16c – 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. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate. The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

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.

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

Values at 31 March 2013	Quoted	Using	With	Total
	market price	observable	significant	
	Level 1	Level 2	unobservable	
	£'000	£'000	Level 3	£'000
Financial assets				
Financial assets at fair value through profit and loss	513,845	594,540	61,787	1,170,172
Loans and receivables	30,878	0	0	30,878
Total financial assets	544,723	594,540	61,787	1,201,050
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(4,270)	0	(4,270)
Financial liabilities at cost	(3,911)	0	0	(3,911)
Total financial liabilities	(3,911)	(4,270)	0	(8,181)
Net financial assets	540,812	590,270	61,787	1,192,869

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

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

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

a) Market risk

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

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

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

The fund manages these risks in two ways:

- the exposure of the fund to market risk is monitored through a risk factor analysis to ensure that risk remains within tolerable levels

- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments

Other price risk

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

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

Other price risk – sensitivity analysis

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

Asset type	Potential market movement (+/-)	
	31 March 2013	31 March 2014
	%	%
Equities	12.5	11.6
Fixed Income	1.5	1.3
Alternatives (Private Equity)	9.6	6.2
Property	1.9	2.4
Cash	0.0	0.0

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

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

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

Asset type	Value as at 31 March 2013 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Equities	841,084	12.5	946,556	735,612
Fixed Income	157,644	1.5	160,056	155,232
Alternatives (Private Equity)	61,787	9.6	67,694	55,880
Property	105,974	1.9	108,009	103,939
Cash	24,047	0.0	24,049	24,044
Total assets available to pay benefits	1,190,536		1,306,364	1,074,707

Interest rate risk

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

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

The fund's direct exposure to interest rate movements as at 31 March 2014 and 31 March 2013 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 2013	As at 31 March 2014
	£'000	£'000
Cash and cash equivalents	7,466	10,695
Cash balances	17,316	15,452
Fixed interest securities	157,644	194,386
Total	182,426	220,353

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

Asset type	Carrying amount as at 31 March 2013	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	7,466	75	(75)
Cash balances	17,316	173	(173)
Fixed interest securities*	157,644	851	(851)
Total change in assets available	182,426	1,099	(1,099)

* 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.

Currency risk

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

The fund has made commitments to private equity and infrastructure in foreign currency, (€140million and \$7million). 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 24. 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 2014 and as at the previous period end:

Currency exposure - asset type	As at	As at
	31 March 2013	31 March 2014
	£'000	£'000
Overseas and Global Equities	576,897	630,118
Global Fixed Income	157,644	194,386
Overseas Alternatives (Private Equity and infrastructure)	61,787	64,193
Overseas Property	3,673	3,276
Overseas Currency	121	189
Total overseas assets	800,122	892,162

Currency risk – sensitivity analysis

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

A 5.2% fluctuation in the currency is considered reasonable based on the fund investment analytics advisors analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period to 31 March 2014. The equivalent rate for the year ended 31 March 2013 was 5.2 %. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following tables show analyses of the fund's exposure to individual foreign currencies as at 31 March 2014 and as at the previous year end:

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

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

Currency exposure - by currency	Value at 31 March 2013	Change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Australian Dollar	11,926	10.0	13,113	10,739
Brazilian Real	6,175	11.6	6,892	5,457
EURO	88,385	7.8	95,279	81,491
Hong Kong Dollar	5,876	8.5	6,378	5,375
Japanese Yen	5,850	11.8	6,538	5,161
Norwegian Krone	5,720	9.0	6,237	5,202
South African Rand	6,692	12.0	7,492	5,892
Swedish Krona	5,794	8.1	6,265	5,323
Swiss Franc	6,993	9.4	7,648	6,339
US Dollar	83,570	8.7	90,873	78,266
Pooled Investments				
Global Basket	368,981	5.3	388,611	349,351
Global ex UK Basket	174,768	5.8	184,904	164,631
Emerging Basket	29,392	6.4	31,281	27,502
Total change in assets available	800,122	5.2	841,405	758,835

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

Currency Exposure - by asset type	Carrying amount as at 31 March 2013	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas and Global Equities	576,897	606,662	547,128
Global Fixed Income	157,644	165,778	149,510
Overseas Alternatives (Private Equity and infrastructure)	61,787	64,975	58,599
Overseas Property	3,673	3,862	3,483
Overseas Currency	121	128	115
Total change in assets available	800,122	841,405	758,835

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, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

Investment Manager	Percentage of Portfolio
BlackRock	29.5%
Fidelity	19%
Insight	15%
Partners Group	7.5%
Property (UBS, Threadneedle, Lothbury, BlackRock)	10%
Veritas	19%

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

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

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

In order to maximise the returns from Short Term Investments and Cash Deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts. As the Short Term Investments are made in the name of Gwynedd Council they are shown in full on the Council's Balance Sheet. The Pension Fund element of the Short Term Investments and Cash Deposits at 31 March 2014 was £12.1m (£7.4m at 31 March 2013).

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 26.

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

New employers to the fund will need to agree to the provision of a bond or obtain a guarantee to save the risk of future financial loss to the fund in the event of not being able to meet its pension liability on cessation. As shown in Note 25 three employers have provided bonds. Any future liabilities falling on the fund as a result of cessation are borne by the whole fund and spread across all employers. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

This risk has increased by a recent 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. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payment costs; and also cash to meet investment commitments.

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

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

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

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2014 the value of illiquid assets was £126m, which represented 9.6% of the total fund assets (31 March 2013: £117m, which represented 10.1% 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 2014 are due within one year as was the case at 31 March 2013.

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 18 – FUNDING ARRANGEMENTS

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

Description of Funding Policy

The funding policy is set out in the Funding Strategy Statement (FSS) dated March 2014.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund (and the share of the fund attributable to individual employers)
- to ensure that sufficient funds are available to meet all pension liabilities as they fall due for payment
- not to restrain unnecessarily the investment strategy of the fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk
- to help employers recognise and manage pension liabilities as they accrue
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective

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

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

Funding Position as at the Last Formal Funding Valuation

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

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

Principal Actuarial Assumptions and Method used to Value the Liabilities

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

Method

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

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the

Fund assets at their market value.

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

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

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

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

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

Experience over the Period since April 2013

Experience has been slightly better than expected since the last valuation (excluding the effect of any membership movements). Real bond yields have risen and asset returns have been better than expected meaning that future funding levels are likely to have improved since the 2013 valuation.

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

NOTE 19 - 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.

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 18) and has also used them to provide the IAS19 and FRS 17 reports for individual employers in the fund. The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial present value of promised retirement benefits at 31 March 2014 was £1,747m (£1,667m at 31 March 2013). All the retirement benefits are vested. The fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the 2013 triennial funding valuation (see Note 18) because IAS19 stipulates a discount rate rather than a rate that reflects market rates.

Assumptions used

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

Assumption	31 March 2013	31 March 2014
	%	%
Inflation/ pension increase rate	2.8	2.8
Salary increase rate	5.1*	4.6**
Discount rate	4.5	4.3

* Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term rate shown thereafter.

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

The longevity assumption is the same as used for assessing the funding position as shown in Note 18 above.

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

NOTE 20 – CURRENT ASSETS

2012/13		2013/14
£'000		£'000
753	Contributions due - employees	1,119
2,584	Contributions due – employers	3,861
2,879	Sundry Debtors	1,775
<u>6,216</u>	Total Debtors	<u>6,755</u>
7,466	Cash	10,695
<u>13,682</u>	Total	<u>17,450</u>

Analysis of debtors

2012/13		2013/14
£'000		£'000
1,918	Administering Authority	2,116
1,394	Central government bodies	955
1,347	Other local authorities	2,564
3	NHS bodies	3
1,554	Other entities and individuals	1,117
<u>6,216</u>	Total	<u>6,755</u>

NOTE 21 – CURRENT LIABILITIES

2012/13		2013/14
£'000		£'000
1,616	Sundry creditors	1,904
2,267	Benefits payable	1,548
<u>3,883</u>	Total	<u>3,452</u>

Analysis of creditors

2012/13		2013/14
£'000		£'000
866	Administering Authority	1,126
15	Central government bodies	22
5	Other local authorities	0
2,997	Other entities and individuals	2,304
<u>3,883</u>	Total	<u>3,452</u>

NOTE 22 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

The market value of the funds is stated below:

	Market value at 31 March 2013	Market value at 31 March 2014
	£'000	£'000
Clerical Medical	2,734	2,792
Equitable Life	413	380
Standard Life	189	214
Total	3,336	3,386

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

	2012 / 2013	2013 / 2014
	£'000	£'000
Clerical Medical	372	331
Equitable Life	1	0
Standard Life	12	10
Total	385	341

NOTE 23 - 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 £1,001,991 (£835,101 in 2012/13) 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 £17.65m to the fund in 2013/14 (£16.65m in 2012/13). At the end of the year the council owed £2,116 to the fund (see Note 20) which was primarily in respect of contributions for March 2014 and the fund owed £1,126 to the council (see Note 21) 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 2013/14, the fund received interest of £77,251 (£86,481 in 2012/13) from Gwynedd Council.

Governance

There was 1 member of the pensions committee who was in receipt of pension benefits from the Gwynedd Pension Fund during 2013/14 (Committee member T.O. Edwards). In addition, committee members T.O. Edwards, P. Jenkins, D. Meurig and W.T. Owen are active members of the pension fund.

Two senior managers of Gwynedd Council who hold key positions in the financial management of the Gwynedd Pension Fund are active members of the Pension Fund (D.O. Williams and D.L. Edwards).

Three members of the pensions committee and two chief officers of Gwynedd Council have declared an interest in bodies which have dealings with the fund. In all cases these bodies are employers which are part of the fund.

NOTE 24 - COMMITMENTS UNDER INVESTMENT CONTRACTS

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

	Total commitment	Commitment at 31 March 2013	Commitment at 31 March 2014
	€'000	€'000	€'000
P.G. Direct 2006	20,000	1,384	1,384
P.G. Global Value 2006	50,000	4,592	4,091
P.G. Secondary 2008	15,000	1,960	1,960
P.G. Global Value 2011	15,000	10,657	7,883
P.G. Global Infrastructure 2012	40,000	36,213	34,039
P.G. Direct 2012	12,000	0	8,280
P.G. Global Value 2014	12,000	0	10,178
Total Euros	164,000	54,806	67,815
	\$'000	\$'000	\$'000
P.G. Emerging Markets 2011	7,000	5,268	3,843

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

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

NOTE 25 – CONTINGENT ASSETS

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

NOTE 26 – 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 creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009, outlined that the return to creditors was projected to be 80p in the £ by the end of 2013. The Council received a return of 77.25% amounting to £3,105,729 from the administrators up to 31 March 2013. During 2013/14 the administrators distributed a further 16.74% bringing the total return up to 93.99%.

The relevant proportion of the decrease in impairment (£34,022) and the increase in notional interest (£2,305) has been allocated to the pension fund.

NOTE 27 - PENSION FUND PUBLICATIONS

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

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

Communications Policy Statement

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

INCOME & EXPENDITURE ACCOUNT 2013/14		APPENDIX A	
ANALYSIS OF SERVICE EXPENDITURE			
	Total Expenditure	Total Income	Net Expenditure
	£'000	£'000	£'000
Cultural and Related Services			
<i>Division of Service</i>			
Culture and Heritage	1,956	(536)	1,420
Recreation and Sport	10,531	(5,207)	5,324
Open Spaces	1,855	(755)	1,100
Tourism	1,228	(550)	678
Library Service	2,028	(155)	1,873
	17,598	(7,203)	10,395
Environmental and Regulatory Services			
<i>Division of Service</i>			
Cemetery, Cremation and Mortuary Services	1,095	(777)	318
Coast Protection	844	(121)	723
Community Safety (Crime Reduction)	471	(379)	92
Community Safety (CCTV)	359	(65)	294
Community Safety (Safety Services)	330	(177)	153
Flood Defence and Land Drainage	490	(242)	248
Agricultural and Fisheries Services	129	(220)	(91)
Regulatory Service	5,045	(915)	4,130
Street Cleansing (not chargeable to Highways)	2,643	(141)	2,502
Waste Collection	1,925	(136)	1,789
Waste Disposal	5,419	(1,098)	4,321
Trade Waste	2,052	(1,880)	172
Recycling	7,826	(4,350)	3,476
Waste Minimisation	83	0	83
Climate Change Costs	0	0	0
	28,711	(10,501)	18,210
Planning Services			
<i>Division of Service</i>			
Building Control	834	(463)	371
Development Control	1,192	(670)	522
Planning Policy	759	(585)	174
Environmental Initiatives	1,149	(474)	675
Economic Research	9	0	9
Business Support	1,134	(581)	553
Economic Development	10,157	(8,530)	1,627
Community Development	1,011	(357)	654
	16,245	(11,660)	4,585
Education and Children's Services - Education			
<i>Division of Service</i>			
Early Years	2,846	(1,993)	853
Primary Schools	61,153	(9,463)	51,690
Secondary Schools	55,247	(9,945)	45,302
Special Schools	4,450	(381)	4,069
Services to Young People and Other Community Learners	1,620	(250)	1,370
Other Strategic Functions	107	(1)	106
	125,423	(22,033)	103,390
Education and Children's Services - Children's Social Care			
<i>Division of Service</i>			
Service Strategy	81	0	81
Commissioning and Social Work	4,872	(181)	4,691
Children Looked After	8,285	(275)	8,010
Family Support Services	1,380	(85)	1,295
Youth Justice	889	(533)	356
Children's and Young People's Safety	126	(54)	72
Asylum Seekers	68	(26)	42
Other Children's and Families' Services	2,349	(1,258)	1,091
	18,050	(2,412)	15,638

INCOME & EXPENDITURE ACCOUNT 2013/14	APPENDIX A		
ANALYSIS OF SERVICE EXPENDITURE			
	Total Expenditure	Total Income	Net Expenditure
	£'000	£'000	£'000
Highways and Transport			
<i>Division of Service</i>			
Transport Planning, Policy and Strategy	1,236	(456)	780
Structural Maintenance	7,910	(2,019)	5,891
Capital Charges Relating to Construction Projects	4,070	(1,358)	2,712
Environment, Safety and Routine Maintenance	4,359	(789)	3,570
Street Lighting (including energy costs)	2,345	(323)	2,022
Winter Service	882	(357)	525
Traffic Management and Road Safety	922	(87)	835
Parking Services	1,331	(2,096)	(765)
Public Transport	5,758	(3,495)	2,263
Airports, Harbours and Toll Facilities	4	0	4
	28,817	(10,980)	17,837
Housing Services (Council Fund)			
<i>Division of Service</i>			
Housing Strategy	177	0	177
Enabling	286	(162)	124
Housing Advice	0	0	0
Housing Advances	0	0	0
Private Sector Housing Renewal	3,999	(1,099)	2,900
Licensing of Private Sector Landlords	0	0	0
Homelessness	1,422	(516)	906
Housing Benefits Payments	0	0	0
Housing Benefits Administration	30,940	(30,391)	549
Contribution to the HRA re items shared by the whole community	0	0	0
Other Council Property	60	(30)	30
Supporting People	6,164	(5,925)	239
Other Welfare Services	15	0	15
	43,063	(38,123)	4,940
Adult Social Care			
<i>Division of Service</i>			
Service Strategy	302	0	302
Older People (aged 65 or over) including Older Mentally Ill	36,656	(11,076)	25,580
Adults aged under 65 with a Physical Disability or Sensory Impairment	3,895	(318)	3,577
Adults aged under 65 with Learning Disabilities	15,490	(2,291)	13,199
Adults aged under 65 with Mental Health Needs	3,594	(308)	3,286
Other Adult Services	1,713	(1,406)	307
	61,650	(15,399)	46,251
Central Services to the Public			
<i>Division of Service</i>			
Local Tax Collection	10,625	(1,677)	8,948
Registration of Births, Deaths and Marriages	410	(209)	201
Elections	205	(20)	185
Emergency Planning	213	(37)	176
Local Land Charges	167	(193)	(26)
Local Welfare Assistance Schemes	0	0	0
General Grants, Bequests and Donations	0	0	0
Coroners' Court Services	476	(175)	301
Other Court Services	0	0	0
	12,096	(2,311)	9,785
Corporate and Democratic Core			
<i>Division of Service</i>			
Democratic Representation and Management	3,069	(40)	3,029
Corporate Management	3,637	(3,825)	(188)
	6,706	(3,865)	2,841
Non Distributed Costs			
<i>Division of Service</i>			
Non Distributed Costs	308	0	308
	308	0	308
COST OF SERVICES	358,667	(124,487)	234,180

THE WELSH CHURCH FUND

2012/2013		2013/2014	
£'000		£'000	£'000
512	Amount of Fund at 1st April		519
	Add - Income during the year :-		
17	Interest on Investments		15
	Increase in investments sold		333
	Less - Expenditure during the year :-		
(1)	Loss on sale of investments	(14)	
(12)	Grants and expenses	(19)	
3	Adjustment	0	
			(33)
519	Amount of Fund at 31st March		834
	Represented by the following Assets :-		
26	Land and Buildings		26
416	Investments at Market Value		0
23	Debtors		23
720	Cash in Hand		1,858
1,185			1,907
(646)	Less - Proportion owing to Anglesey and Conwy Councils		(1,054)
539			853
(41)	Less - Creditors		(38)
21	Add - Proportion owing from Anglesey and Conwy Councils		19
519	Total		834

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

2012/2013 £'000		2013/2014 £'000
141	Amount of Fund at 1st April	146
	Add - Income during the year	
7	Interest on Assets	8
	Less - Expenditure during the year	
(2)	Grants	(2)
146	Amount of Fund at 31st March	152
	Assets	
25	Investments	144
121	Cash in Hand	8
146		152

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. During the year, £120,000 of the Cash in Hand was invested in shares to generate a better rate of return.
3. The investments are shown in the accounts at cost. The market value of the investments at 31 March 2014 was £311,766.98 (£178,537.14 at 31 March 2013).
4. 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.

JOINT COMMITTEES SUMMARY

During 2013/14, Gwynedd Council participated in six joint-committees, collaborating in particular areas between Local Authorities. Separate accounts are required for joint-committees. The six joint-committees relating to Gwynedd are:

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

The Joint Committee accounts follow the same timetable in terms of the statutory dates for the completion of the accounts. In the circumstances, therefore Gwynedd Council's Accounts reflects the related actual net liability, although the subjective analysis position varies subject to circumstances and the reporting arrangements of the various joint committees. Figures have not been included within the body Gwynedd's Statements of Accounts, however the figures that are subject to audit and the share relating to Gwynedd have been included in the table below:

Joint Committee	Leading Council (for Finance)	Councils participating in the Joint Committees	Gwynedd Council's Share %	Value of Gwynedd's Share (Income and Expenditure Account) £'000
Special Educational Needs Joint Committee	Gwynedd Council	Gwynedd Council Isle of Anglesey County Council	61.4%	731
Joint Planning Policy Committee	Gwynedd Council	Gwynedd Council Isle of Anglesey County Council	50%	443
GwE	Gwynedd Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council Wrexham County Borough Council	18.04%	635
TAITH	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council Wrexham County Borough Council	17.59%	691
TRaCC	Ceredigion County Council	Ceredigion County Council Gwynedd Council Powys County Council	33.3%	104
NWRWTP	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council	20%	117

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

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	15 JULY 2014
TITLE	GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2013/14
PURPOSE OF REPORT	TO PRESENT THE ANNUAL GOVERNANCE STATEMENT (INCORPORATING THE STATUTORY STATEMENT ON INTERNAL CONTROL) FOR 2013/14 TO THE AUDIT COMMITTEE FOR APPROVAL
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	TO APPROVE THE STATEMENT AND ALLOW IT TO BE SIGNED BY THE COUNCIL LEADER AND THE CHIEF EXECUTIVE

1. INTRODUCTION – WHAT DOES THE AUDIT COMMITTEE NEED TO DO?

- 1.1 In order fulfil its duties as "those charged with governance", it is necessary for the Audit Committee to:
- **Consider amendments to the Statement as suggested by the Cabinet (following its informal meeting on 9 July) and Management Group (following meeting on 14 July), that will be presented orally by the Senior Manager Audit and Risk.**
 - **Challenge the Senior Manager Audit and Risk on the content of the Annual Governance Statement, and in particular the "Impact" and "Effectiveness" scores that have been identified, and the narrative that explains the justification for the score.**
 - **Approve the Statement, and recommend that the Council Leader and Chief Executive sign it.**

2. BACKGROUND

2.1 There is a statutory requirement for an Annual Governance Statement as a result of:

- The Accounts and Audit Regulations (Wales) 2005 (as amended by the Accounts and Audit Regulations (Wales) 2010), which state:

The local government body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices, when relevant, with any statement of accounts it is obliged to publish.

- CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (the "SORP")
- CIPFA / SOLACE Framework *Delivering Good Governance in Local Government* and subsequent addenda. The latest addendum was published in December 2012.

3. SELFASSESSMENT OF THE EFFECTIVENESS OF THE GOVERNANCE ARRANGEMENTS

3.1 The Audit Committee has a key function in challenging the preparation procedures and the contents of the draft Annual Governance Statement. When signing the Governance Statement, the Chief Executive and Council Leader confirm:

"We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the Audit Committee, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas already addressed and those to be specifically addressed with new actions planned are outlined below".

3.2 The Statement has been drafted by the Governance Arrangements Assessment Group, and as it developed its contents have been reviewed, challenged and confirmed by the Corporate Management Team (in February, April and June 2014) and the Audit Committee (in December 2013 and February and May 2014).

3.3 In addition, members of the Audit Committee attended a Workshop in January 2014 to share ideas about governance.

3.4 The diagram containing the Impact and Effectiveness scores were presented to the Audit Committee at its meeting in May 2014. At that time, the Committee accepted these scores, and suggest modifications (such as adding Equality as an element in the Framework). The Committee resolved:

(i) To accept that the definition of "good governance" should be arrangements that place providing for the people of Gwynedd at their centre;

(ii) To agree that the Governance Arrangements Assessment Group should continue with its current direction in developing arrangements for the self assessment of the effectiveness of the Council's governance arrangements.

3.5 The Annual Governance Statement summarises the results of the self-assessment in a statement that tells the People of Gwynedd what our governance framework is, and how well it works. The Audit Committee needs to satisfy itself that the narrative justifying the scores is a fair reflection of the Council as far as it is aware, based on the information that it has received over the year.

3.6 As well as the Corporate Management Team, the draft has been presented to the Informal Cabinet (9 July) and the Management Group (14 July). Their comments will be submitted to the Audit Committee orally.

4. RECOMMENDATION

4.1 The Audit Committee is requested to

- Consider amendments to the Statement as suggested by the Cabinet (following its informal meeting on 9 July) and Management Group (following meeting on 14 July), that will be presented orally by the Senior Manager Audit and Risk.
- Challenge the Senior Manager Audit and Risk on the content of the Annual Governance Statement, and in particular the "Impact" and "Effectiveness" scores that have been identified, and the narrative that explains the justification for the score.
- Approve the Statement, and recommend that the Council Leader and Chief Executive sign it.

ANNUAL GOVERNANCE STATEMENT

This statement meets the requirement to produce a Statement of Internal Control pursuant to Regulation 4 of the Accounts and Audit (Wales) Regulation 2005.

Part 1: SCOPE OF RESPONSIBILITY

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

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

Gwynedd Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on our website or can be obtained by writing to the Gwynedd Council, Council Offices, Shirehall Street, Caernarfon, Gwynedd LL55 1SH. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

Part 2: THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework described above has been in place at Gwynedd Council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

Part 3: GOVERNANCE FRAMEWORK

- 3.1 The **Governance Arrangements Assessment Group** was established in 2012/13 to monitor matters of governance continuously in a more disciplined manner, raising a wider awareness of them and promoting a wider ownership of the Annual Governance Statement. The Group comprises a Corporate Director, the Monitoring Officer, the Senior Manager of the Corporate Commissioning Service and the Senior Manager – Audit and Risk.
- 3.2 In 2013/14, the Group identified 31 elements forming Gwynedd Council’s Governance framework and special consideration is given to the effect that each one of these is expected to have as they add public value for the people of Gwynedd. Prior to assessing the effectiveness of these elements, an Impact score was noted for each of the elements to reflect how comparatively large the effect of each one of them will be (in the Group’s opinion) as they add public value. These scores vary from 1 (very little impact) to 10 (very large impact). These scores have been assessed, challenged and confirmed by the Council's Audit Committee, Corporate Management Team, Cabinet and Management Group.
- 3.3 None of the elements have scored less than 5 – if they had, it would be questionable if they deserved a prominent place within the governance framework at all.
- 3.4 The Council is of the opinion that the elements that have the greatest impact as they enable the Council to achieve are:

Score of 10:

The Council’s Values	Our values define the Council’s culture for both members and staff. The values have been established for some time now. If we achieve the correct culture, this can override everything else that affects our ability to achieve.
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Score of 9:

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

Financial Strategy	<p>The Financial Strategy sets the key context for everything the Council does.</p> <p>The financial projections for the Council suggest that substantial savings must be identified in the years to come. The Financial Strategy establishes how we will achieve this and, therefore, it is a very important statement that outlines how the Council will deal with the situation.</p>
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Score of 8:

Risk Management Arrangements	<p>Our risk management arrangements are an integral part of the Authority's management arrangements. Robust, correct and proportionate risk management arrangements support innovation and do not inhibit it.</p>
Staff Appraisal, Training and Development	<p>To ensure that the Council is in a position to provide services that always place the residents of Gwynedd in the centre, there must be continuous staff training, their performance must be monitored and their talent fostered and developed. Staff training arrangements are an important method of promoting and dissipating Gwynedd Way thinking across the Council and of course it is vitally important that the Council has officers with the skills to carry out their duties.</p>
The Local Governance Code	<p>The Local Governance Code is the foundation of the Council's governance arrangements. It encompasses a large number of elements which need to be in place to enable the Council to achieve on behalf of the people of Gwynedd.</p>
The Constitution	<p>As the official guidance for the manner in which the Council operates, it is inevitable that the Constitution, by definition, has a significant impact on the way in which the Council achieves on behalf of the people of Gwynedd.</p>
The 'Cyflawni' system	<p>This is the Council's business planning and performance management system. Consequently, the effect of the system on the Council's ability to provide services on behalf of the people of Gwynedd is crucial.</p>
The Scrutiny procedure	<p>The scrutiny procedure is the process that is in place to ensure that the Council's Cabinet implements its policies in accordance with its pledges and for the benefit of the people of Gwynedd. It is therefore a very important part of the governance framework.</p>

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

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

Part 4: EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

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

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

Since 2013/14, the Audit Committee has received a report on the work of the Governance Arrangements Assessment Group at every meeting and a workshop was held by the Committee's Members in January 2014 to provide their input in the self-assessment of governance arrangements.

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

- Assessments by members and principal officers in developing the 'Gwynedd Way' system, namely, the same common and clear vision for everyone in the Council regarding the corporate culture needed if the people of Gwynedd are to be central in everything that we do.
- The work of Internal Audit is summarised in the Head of Internal Audit's Annual Report, submitted to the Audit Committee in May 2014. The report included the following general assurance: ***"On the basis of the work of Internal Audit that was completed in 2013/14, in my opinion, Gwynedd Council has a sound framework of internal controls. This assists in providing confidence in the arrangements for ensuring effective and efficient achievement of the Council's objectives, as the steps taken by the Council during the financial year to establish and strengthen internal controls and to ensure that recommendations to remedy weaknesses identified by the Internal Audit service have, overall, been satisfactory."***
- Consideration of the results of the work of external auditors and regulators, including the Wales Audit Office, Estyn and the Care and Social Services Inspectorate Wales (CSSIW).

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

Element	Assessment of its Effectiveness in assisting us to deliver	Effectiveness Score (out of 10)
The Council's Values	<p>The Council's values were developed by means of the work of the Managers' Colleges and the Council's values have been included on vehicles, letters and signs in offices.</p> <p>However, evidence is scarce that our staff and members live these values and there is evidence – from system reviews – showing that the values have not in reality filtered down to mean better services for Gwynedd people.</p> <p>Discussions with staff as part of the development of the Gwynedd Way have highlighted that there are other factors overriding the values, and systems experiments also suggest that there are things other than values that cut across staff's capacity to achieve the values.</p>	3
Integrated Public Services	<p>Work is on-going on developing a Single Integrated Plan but it has not been adopted. Despite this, the Partnerships Unit has been established with Anglesey County Council but there has been little impact thus far.</p> <p>The Council was among the signatories of a Statement of Intent that has been agreed with the Betsi Cadwaladr Health Board for an integrated service.</p> <p>However, much work remains to be done with the Local Services Board. A workshop was held on 4 June 2014 to self-assess the Local Services Board.</p>	3
The 'Cyflawni' system	<p>A self-assessment of the 'Cyflawni' system shows that there are still shortcomings in our arrangements, including a real lack of ownership by units within the Council of performance information and its use for improvement.</p> <p>Systems tests and the self-assessment undertaken for the Gwynedd Way show that more clarity is needed regarding what is a performance indicator and what is management information – it's not always clear to everybody.</p> <p>The Council's Improvement Report notes that arrangements to monitor the performance of services have improved but there is a need to reinforce some aspects of the Council's performance management framework. There is an ongoing review to standardise the procedure with the Gwynedd Way.</p>	3

Element	Assessment of its Effectiveness in assisting us to deliver	Effectiveness Score (out of 10)
Staff Appraisal, Training and Development	<p>Difficulties in filling some senior posts within the Council suggest that there is a need to improve our ability to create progression at least for senior posts. This has been identified as a basis for developing internal talent.</p> <p>The appraisal documentation is in place, as is a performance indicator of how many staff are appraised, but there is room for improving the arrangements in some departments.</p> <p>To this end, tests have been conducted in different departments to examine different ways to improve the procedure, and a Gwynedd Way self-assessment has concluded that there is a need to redefine the appraisal procedure to support the culture of the Gwynedd Way.</p>	4
Member inter-relationship	<p>There is some evidence of tension in the past between members as the new Cabinet arrangements were implemented within the Council and the resulting changes in roles, and there is no evidence to suggest that those tensions have disappeared.</p> <p>Tensions are inevitable during times of significant changes and to be expected.</p>	4
The complaints procedure	<p>The main weakness of the current complaints procedure is that there are no established arrangements in place to allow the Council to learn lessons from investigations into complaints. Without doing this, there is a danger that the Council will repeat mistakes.</p>	4
Engagement	<p>Self-assessment undertaken for the Gwynedd Way has identified evidence that highlights that the Council's engagement arrangements were not as good as they should be for the new climate ahead. This evidence was highlighted in the Engagement Strategy adopted by the Cabinet on 28 January 2014.</p> <p>Work has commenced on implementing the strategy – a working group between members and officers has been established – and the situation will not change overnight as we are talking about a culture change. Therefore, for the time being, the score continues to reflect the original situation.</p>	4

Element	Assessment of its Effectiveness in assisting us to deliver	Effectiveness Score (out of 10)
Risk Management Arrangements	<p>Arrangements are now in place for every department to maintain a departmental risk register and there are also cross-departmental registers in place with protocols to support them. Nevertheless, the take-up of risk management amongst individual business units is inconsistent and the general perception is that risk management is a hindrance rather than a help in achieving aims.</p> <p>Also, apart from Health and Safety risks, systems tests show that not all the workforce is aware of the risks that could prevent achievement for the people of Gwynedd and take ownership of them – risk management tends to be seen as a matter for Managers.</p> <p>Significant risks that have received attention during the year were those around Safeguarding Children and Adults – an Estyn and the Wales Audit Office report published in 2013 concluded that the Council’s arrangements for safeguarding children and young people did not satisfy the statutory requirements. However, substantial steps have been taken since then.</p> <p>A Strategic Panel convenes on a quarterly basis and an Operational Panel on a monthly basis. Major steps have been undertaken during the last year to develop a Corporate Safeguarding Policy and policies for individual departments. These are reviewed regularly and every department has nominated a designated manager to maintain awareness of the requirements across the Council.</p> <p>However, the arrangements continue to develop and there is a need to ensure that awareness filters into the culture and work arrangements of everyone across the Council. A recent review by Estyn and the Wales Audit Office suggested that good progress has been made with safeguarding, and arrangements are in place to continue with embedding this important area through the body.</p>	5
The Standards Committee	<p>The Standards Committee is in place and operates with agreed Terms of Reference. Minutes of the Committee show that it examines specific cases as it undertakes its work.</p> <p>The Committee itself has also conducted a self assessment.</p>	5
The Scrutiny Procedure	<p>If Scrutiny worked as we would wish it to do, it could have a substantial effect on the way the Council achieves. Whilst the system is improving, with examples of scrutiny having a positive impact on services, there is still some way to go until scrutiny maximises that objective. To this end, there is a draft amended Scrutiny Strategy ready to be published.</p> <p>The Wales Audit Office has also been praiseworthy of the direction in which Scrutiny is moving in the Council.</p>	5

Element	Assessment of its Effectiveness in assisting us to deliver	Effectiveness Score (out of 10)
The Procurement Strategy	The Procurement Strategy has been in place for several years but there is some evidence that its principles do not filter through to the Council consistently and there must be changes in the arrangements to reflect new methods of working. In order to address this, the Procurement Project in collaboration with the councils of Denbighshire and Flintshire, is currently being evaluated.	5
The Council's Strategic Plan	<p>The Strategic Plan is an important guidance to achieve on behalf of Gwynedd People. The Wales Audit Office has identified improvements in the way that the Council is providing its services. However, there is concern whether all Council staff given due priority to matters that are in the Strategic Plan.</p> <p>Despite this, the Council's Annual Improvement Report notes that the performance of several services in the Council compares well with other authorities in Wales; that the majority of the residents of Gwynedd are of the opinion that the Council provided services of the quality that offered value for money which suggests that the Strategic Plan has had an impact over the years by focusing on the fields that need to improve.</p> <p>The Improvement Report also refers to several fields (e.g. housing, improving the economy, and the field of the Welsh language) where good progress has been seen on matters that are in the Strategic Plan.</p>	6
The Audit Committee	Gwynedd Council's Audit Committee has been established since 1999 and it has agreed terms of reference. Although the Audit Committee is very effective in achieving some of the functions that it has undertaken for some time, its capacity to deal with new responsibilities continue to develop by virtue of the Local Government (Wales) Measure 2011.	6
The External Auditor's Annual Letter	<p>Whilst the letter includes constructive criticism, the Council will try to implement the matters raised but sometimes there may be conflict between what the Council feels should be addressed and some matters raised in the letter in terms of the effort required to be given to them and the level of risk they represent.</p> <p>However, these examples are not significant; there were no recommendations in the most recent report and in general the messages are positive.</p>	6
Internal Audit	The effectiveness of the Internal Audit system is under continuous review and although the service satisfies the professional standards in accordance to expectation, there is a need to consider further whether it reviews the right things and if it operates in a manner that is compatible with the Gwynedd Way.	6

Element	Assessment of its Effectiveness in assisting us to deliver	Effectiveness Score (out of 10)
Information Governance	<p>Despite efforts to improve Information Governance, the Council continues to hold vast amounts of information, and we need to continue working to ensure that it does not hold more data than is needed. The result is that the Council's ability to use its information to make appropriate decisions is not as effective as it could be.</p> <p>In addition, there are some occasions have arisen where the Council has failed to comply fully with the Data Protection standards.</p>	6
The Local Governance Code	<p>The Local Code, as the focus of all individual elements of the governance framework, operates effectively in achieving its objectives. This is the core of our assessment of governance arrangements.</p> <p>However, it could be reviewed more regularly than in the past but the Audit Committee and the Governance Arrangements Assessment Group are addressing this.</p>	7
Whistleblowing Code of Practice	<p>Although very little use has been made of the procedure, the disclosures that have been made have been the subject of thorough investigations in accordance with the Code of Practice. The arrangements have been reviewed recently by the WAO as part of a national review.</p>	7
Member Training and Development	<p>Steps have been taken in the period since the 2012 election to draw up a training programme for members with the Democratic Services leading on the work.</p> <p>A members' training programme for the year is in place with arrangements offering Personal Development Interviews planned.</p>	7
Gwynedd Council Performance Report	<p>The Council's Improvement Report is published annually in accordance with the expected timetable. The Report notes that the Council has undertaken its duties of reporting on improvement that is a requirement under the measure but it could comply more fully with guidance from the Welsh Government.</p> <p>Although this is a report that achieves its purpose there is a risk that it is a report that is produced to satisfy statutory requirements, rather than achieving the objective of providing a complete picture for the People of Gwynedd. It is aimed to achieve further improvements.</p>	7
Leadership Programme	<p>There is evidence that Leadership skills within the Council has improved after the Council invested in leadership training for its Senior Officers and members.</p> <p>However, the Gwynedd Way self-assessment shows that there is a need to take this to the next level now and ensure that all the Council's leadership are unanimous in implementing the principles of the Gwynedd Way if it is to be successful.</p>	7

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

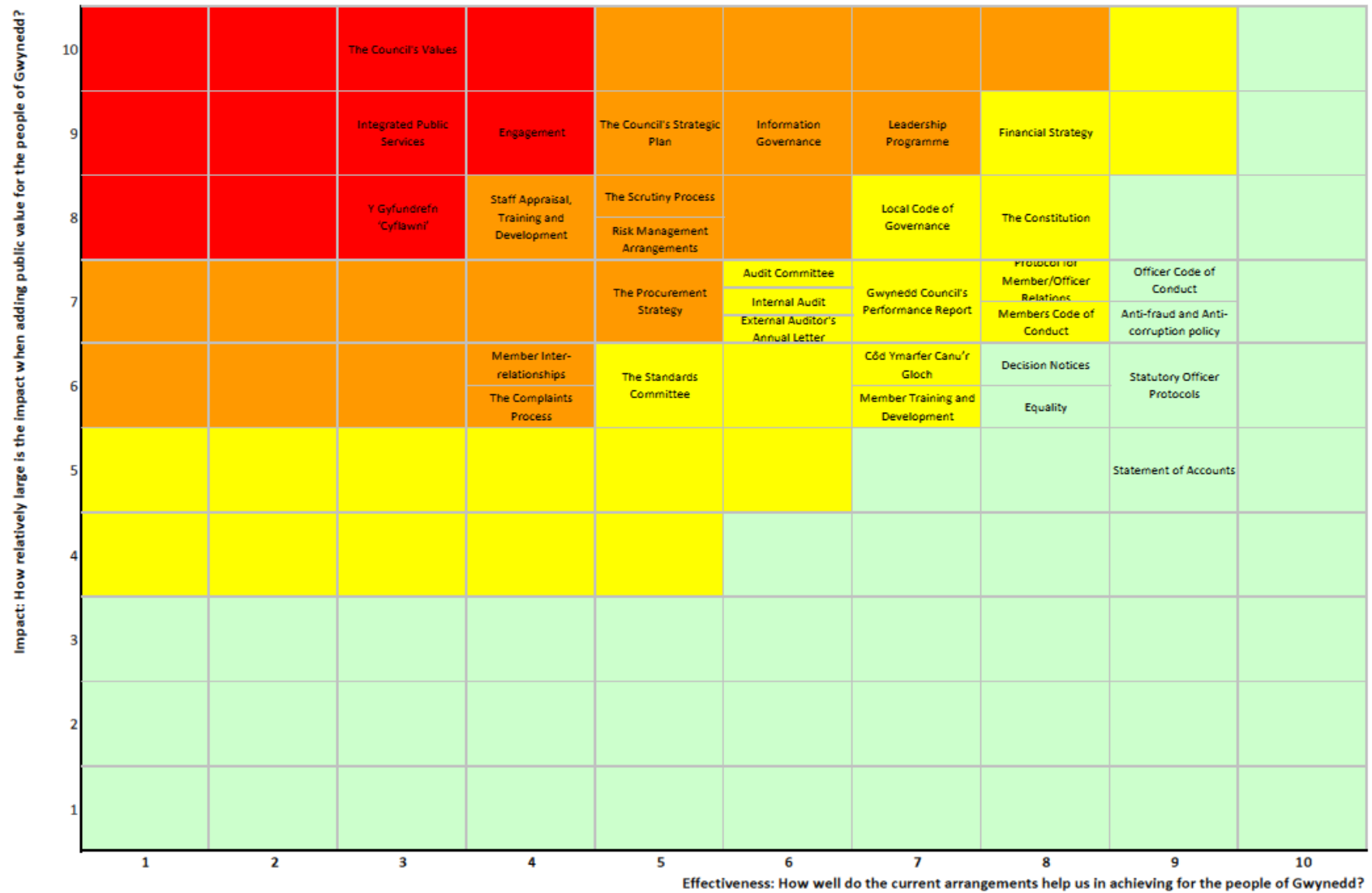
Element	Effectiveness Score (out of 10)
Decision Notices The Protocol for Member/Officer Relations Members' Code of Conduct The Constitution Financial Strategy Equality	8
Statutory Officers' Protocols Officers' Code of Conduct Anti-fraud and Anti-corruption Policy Statement of the Accounts	9

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

Part 5: SIGNIFICANT GOVERNANCE ISSUES

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

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



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

Very High Priority

Matter that has been identified	Response Arrangements	Responsibility of whom?
<p><i>The Council's Values</i> Evidence is scarce that our staff and members live the values of the Council at the moment and evidence shows that the values have not in reality permeated to mean better services for Gwynedd people. Discussions with staff as part of the development of the Gwynedd Way have highlighted that there are other factors that take priority over the values.</p>	<p>The Values of the Council and 'Cyflawni' will receive attention under the priority field of Culture and Business Arrangements within the Strategic Plan, namely project DT1 – Promoting the Culture of putting the People of Gwynedd in the Centre.</p>	Chief Executive
<p><i>The 'Cyflawni' System</i> Lack of ownership of performance information and its use for improvement. Need to be clearer about what a performance indicator is and what is management information.</p>		Head of Strategic and Improvement
<p><i>Engagement</i> The Council's engagement arrangements are not as good as they should be for the new climate that lies ahead.</p>	Receiving attention under the priority field of Culture and Business Arrangements in the Strategic Plan, namely, project DT2 – Effective Engagement with the People of Gwynedd.	Chief Executive
<p><i>Integrated Public Services</i> Thus far, the efforts to collaborate have had little impact.</p>	Gwynedd and Anglesey Local Services Board is reconsidering the Board's priorities in 2014/15 with a view to establishing the Board's intervention programme for the future.	Head of Strategic and Improvement

High Priority

Matter that has been identified	Response Arrangements	Responsibility of whom?
<p>Staff Appraisal, Training and Development</p> <p>Tests have been conducted in different departments to examine different ways to improve the procedure.</p>	<p>Redefining the appraisal procedure to support the culture of the Gwynedd Way when developing the system.</p> <p>Consideration given to succession arrangements and an implementation plan drawn up.</p>	<p>Head of Human Resources</p>
<p>The Council's Strategic Plan</p> <p>There is concern whether all Council staff give due priority to matters that are in the Strategic Plan.</p>	<p>Continuing to refine business planning arrangements of all the Council's business units in order to address the right priorities.</p>	<p>Senior Manager – Change Delivery and Support Service</p>
<p>The Scrutiny Procedure</p> <p>Whilst the system is improving, with examples of scrutiny having a positive impact on services, there is still some way to go until scrutiny maximises that objective.</p>	<p>Publish an amended draft Scrutiny Strategy and implement the steps within it.</p>	<p>Senior Manager - Corporate Commissioning Service</p>
<p>Risk Management Arrangements</p> <p>The take-up of risk management amongst individual business units is inconsistent and the general perception is that risk management is a hindrance rather than a help in achieving the aims. Risk management tends to be seen as a matter for Managers.</p>	<p>Build on the work completed during 2013/14 where assurance was given that every department had prepared a risk register on a departmental level. Relevant officers will support business units to raise awareness of the use of risk management in their day-to-day work in the context of the Gwynedd Way system.</p> <p>A Strategic Panel and an Operational Panel have been established following the Council's decision to improve its Safeguarding Children and Adults arrangements. The Panels will continue to develop work programmes to respond and will monitor progress against that particular work programme.</p>	<p>Senior Manager Audit and Risk</p> <p>Corporate Director (Social Services)/ Senior Manager Human Resources</p>

Matter that has been identified	Response Arrangements	Responsibility of whom?
<p>Member inter-relationship</p> <p>Evidence of the success or failure of member inter-relationship is scarce.</p>	<p>Continuous work of ensuring respect and understanding of the different roles of members especially the Executive and other members.</p>	<p>Senior Manager - Corporate Commissioning Service</p>
<p>The Complaints Procedure</p> <p>There are no established arrangements in place to allow the Council to learn lessons from investigations into complaints.</p>	<p>An experimental system is being installed to try to track complaints better and to learn from the conclusions. In the long-term, it is considered that the DT1 project referred to above will also lead to better use of complaints in the Council to improve services.</p>	<p>Monitoring Officer</p>
<p>Leadership Programme</p> <p>Need to ensure that all the Council's leadership are as one.</p>	<p>Take the improvement in the skills of senior officers and members to the next level when implementing the Gwynedd Way.</p>	<p>Head of Human Resources</p>
<p>The Procurement Strategy</p>	<p>The <i>Keeping the Benefit Local</i> project reviews the Council's procurement approach. There is commitment to draw up a new strategy in 2014/15.</p>	<p>Head of Strategic and Improvement Department</p>
<p>Information Governance. The Council maintains a large amount of data.</p> <p>Some occasions have arisen where the Council has failed to comply fully with the Data Protection standards.</p>	<p>Projects are in place to develop the Council's arrangements for evidence-based practice, and evolving the culture of making defensible decisions.</p> <p>At an operational level, work continues to maintain standards across the Council for holding and processing information. Efforts to raise awareness are on-going, as well as developing departmental information risk registers.</p>	<p>Corporate Director / Head of Adults, Health and Wellbeing</p>

Part 6: OPINION

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

DILWYN O WILLIAMS
CHIEF EXECUTIVE GWYNEDD COUNCIL

Cllr DYFED WYN EDWARDS
LEADER OF GWYNEDD COUNCIL

DATE

DATE

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	15 JULY 2014
TITLE	REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP
PURPOSE OF THE REPORT	TO REPORT ON THE MEETING HELD ON 6 JUNE 2014
AUTHOR	JOHN PUGHE ROBERTS, CHAIR OF THE AUDIT COMMITTEE
ACTION	TO ACCEPT THE REPORT AND CONSIDER THE RECOMMENDATIONS

1. INTRODUCTION

1.1 The executive summaries of 30 Internal Audit reports were presented to the Audit Committee meeting on 6 May 2014, which represented reports whose final version had been released between 1 February 2014 and 31 March 2014. Seven of these reports had received a 'C' opinion.

1.2 Furthermore, it was reported to the Committee that one follow up report had received an "Unsatisfactory" opinion, and the Committee was also keen to discuss issues arising from another report which had been given a 'B' opinion.

1.2 Therefore, the Committee resolved:

To accept the reports on the Internal Audit Section's work for the period between 1 February and 31 March 2014 and to support the recommendations already submitted to the managers of the relevant services for implementation.

To convene two meetings of the working group, with the following members to serve on the working group in accordance with the details below:

(i) The Chairman and Vice-chairman of the Audit Committee and Councillors Huw Edwards, Michael Sol Owen and Angela Russell to consider the following audits:

- **Health and Safety Risk Assessments in Schools**
- **Schools Effectiveness Grant and the Pupil Deprivation Grant**
- **School Statistics and Censuses**
- **Verification of Performance Indicators**

(ii) The Chairman and Vice-chairman of the Committee and Councillors Aled Evans, Dafydd Meurig and Huw Edwards to consider the following audits:

- **Control Over Ordering and Payment for Property Repairs and Maintenance**
- **Arrangements for Registering Births, Deaths and Marriages**
- **Overnight Arrangements at the Council's Homes**
- **Overtime Claims Procedures**
- ***Siopau Gwynedd* Follow-up**

2 WORKING GROUP MEETING

- 2.1 In accordance with the decision, the Working Group was held in two sessions, on the morning and afternoon of 6 June in Ystafell Gwyrfa.
- 2.2 Councillors John Pughe Roberts, Robert Wright, Angela Russell, Michael Sol Owen, and Dewi Morgan, Senior Manager Audit and Risk were present in the morning session. The following reports were considered:

TITLE	DEPARTMENT	OPINION
School Statistics and Censuses	Education	C
Health and Safety Risk Assessments in Schools	Education	B
Verification of Performance Indicators	Corporate	C
Schools Effectiveness Grant and the Pupil Deprivation Grant	Education	C

- 2.3 Councillors John Pughe Roberts, Robert Wright, Dafydd Meurig and Aled Evans, and Dewi Morgan were present in the afternoon session, and considered the following:

TITLE	DEPARTMENT	OPINION
Control Over Ordering and Payment for Property Repairs and Maintenance	Customer Care	C
Arrangements for Registering Births, Deaths and Marriages	Democracy and Legal	C
Overnight Arrangements at the Council's Homes	Social Services, Housing and Leisure	C
Overtime Claims Procedures	Corporate	C
<i>Siopau Gwynedd</i> Follow-up	Customer Care	Unsatisfactory

- 2.3 Relevant officers attended to discuss all the reports.

2.5 Schools Statistics and Censuses

2.5.1 The main findings of this audit were as follows:

It was seen that there were specific arrangements and relevant forms in place to collect statistics and censuses figures from schools on an annual basis, with guidelines distributed to the schools to take them through the process. However, when examining a sample of schools, instances were identified where mistakes had been made by schools with the statistics and censuses figures submitted, with discrepancies appearing between the statistics figures and the school's pupil register. This led to incorrect statistics and censuses figures being submitted to the Education Department by the schools. It was seen that adjustments to school budgets following permanent exclusions had been calculated correctly. It was also found that some schools in our sample did not have a current registration with the Information Commissioner's Office.

2.5.2 Owain Dewi Hughes (Information Officer) and Owen Owens (Schools Senior Manager) were welcomed to the meeting.

2.5.3 The Senior Manager Audit and Risk presented the background to the audit. He noted that there were four schools in the sample, and that one in particular was responsible for this audit having received a 'C' opinion.

2.5.4 The Education officers acknowledged that weaknesses had been seen in one school in particular, but they noted that this school had a new head teacher and administrative officer at the time of the audit. It was also noted that this school was unique in terms of the nature of the pupils attending the school – the location and nature of the school meant that many of the pupils came from families who migrate due to their work.

2.5.5 The officers were asked what was happening in response to the report. They replied that work was currently underway to verify between the school and what is included in the Education Department's systems. In the past, primary schools have viewed the SIMS system as something "remote" which was used by the area offices, but by now the system is in every classroom. As the school's register was on paper, the school did not worry about SIMS, but the details are now fed straight into SIMS.

2.5.6 The members of the Working Group were keen to know that if the weaknesses were only apparent in one school, were there arrangements in place to offer support to that school, such as training? The Information Officer noted that he had spoken with the school following the report and they now understood the importance of having the correct figures. It was noted that the school had not made any financial loss or profit since two errors had cancelled each other out. The Information Officer was confident that the correct arrangements would be in place by September.

2.5.7 With regard to registering with the Information Commissioner, the Schools Senior Manager noted that the Education Department did not intend to verify the registration of each individual school, but the schools had been reminded. The Council's Information Manager had made a presentation to the primary and secondary schools strategic groups emphasising that they must register every year. It was also noted that they had raised awareness amongst schools recently regarding scams where companies offered to register schools but charged them large amounts of money.

2.5.8 The Schools Senior Manager noted that there were no problems with implementing the recommendations of the report.

2.5.9 The officers were thanked for attending the meeting and for their answers.

2.6 Health and Safety Risk Assessments in Schools

2.6.1 The main findings of the audit were as follows:

The main findings stemming from this audit is that a practical system needs to be established to conduct training session in the field of health and safety risk assessments for Head teachers/Health and Safety Coordinators in schools as well as other school staff. It was also seen that there is a need to ensure that the appropriate risk assessments exist in each school and that they are reviewed annually or when there is any significant change to the risk.

2.6.2 Owen Owens (Schools Senior Manager) stayed at the meeting to discuss this report.

2.6.3 The Senior Manager Audit and Risk presented the background to the audit, and explained that this report had received a 'B' opinion, as arrangements were fairly good overall. Two officers worked full time in the field of schools' Health and Safety.

2.6.4 The Schools Senior Manager explained that a Head Teacher's responsibilities could not be differentiated from his responsibilities as site manager, although this had caused some contention in the past; head teachers had now accepted the situation.

2.6.5 In terms of the training aspect, the Schools Senior Manager noted that it was difficult to organise training where everyone could attend. It was easier to release secondary teachers than primary teachers, but trainers were willing to be flexible in order to assist.

2.6.6 It was noted that a specific course was being arranged for the Council's officers, and the Schools Senior Manager noted that it would be a small matter to amend this for schools. Health and Safety officers already attended every school before they received an inspection.

2.6.7 However, the report referred to the need to formalise assessments. The aim was to use a system developed by the Council's Information Technology Unit to keep the registers, with a note being sent to schools reminding them to update. Technical problems have delayed the introduction of this system to date. A member enquired whether the system would record educational visits to locations outside the school. The Schools Senior Manager responded that another system, *Evolve*, was available for this – training had been given to every School Visits Coordinator, but not every school undertook such visits.

2.6.8 It was noted that the two schools Health and Safety officers (one employed by Human Resources, the other by the Education Department) sampled and monitored schools' risk registers. If there was an incident at a school, one of these officers went there. At present, not all schools had sent their risk assessments to the officers.

2.6.9 The Schools Senior Manager noted that he expected the governing body to review risk registers if there was any change at the school, or to keep an eye periodically. A member asked whether it would be appropriate for a Sub-committee of the Governing Body to undertake this work, and the Schools Senior Manager agreed that this would be better than the Full Body.

2.6.10 The report referred to inconsistencies in the way Report Accidents ('HS11 forms') were dealt with. Two secondary schools would be trialling a new HS11 procedure soon. A member commented that the definition of "accident" was a matter of interpretation. The Schools Senior Manager responded that he expected the guidance that was given to the schools as well as the forms themselves to be reviewed.

2.6.11 In respect of First Aid, the Schools Senior Manager was of the opinion that schools met the statutory requirement, but often no more than that.

2.6.12 The Schools Senior Manager was thanked for attending the meeting, and for his observations.

2.7 Verification of Performance Indicators

2.7.1 The main findings of the audit were as follows:

It was found during the audit that deficiencies existed in the system for performance indicators. Although the value of indicators is considered before they are selected, it was observed that not all indicators achieved SMART targets (Specific, Measurable, Ambitious, Realistic and Timely). Some indicators are inappropriate and insensible, as they are irrelevant to the customer, and take up officers' time to report on them.

There was insufficient verification of 'green' indicators according to the RAG scale, and the owners of the indicators had not had to submit evidence to the relevant officers in the Strategic and Improvement Department to support their performance.

It was also found that there were discrepancies in the details of relevant officers associated with the indicators on the record cards and on the Ffynnon system.

2.7.2 Hawis Jones (Performance Improvement and Efficiency Manager) was welcomed to the meeting.

2.7.3 The Senior Manager Audit and Risk presented the background to the audit. He noted that Internal Audit had received a specific request from the Strategic and Improvement Department to undertake the review in order to consider the situation across the Council in respect of the accuracy of the performance indicators that were reported.

2.7.4 The Performance Improvement and Efficiency Manager elaborated on the background. Before the start of the financial year, she worked with the Heads of Service and their managers to assist them to establish indicators. This was an opportunity to influence and challenge whether the indicators were truly useful – the aim is to have indicators that affect the citizen, and effort is made to have the best indicators in order to focus on the most important ones. They tried to promote a culture where everyone are owners and are responsible for their indicators.

2.7.5 A member noted that there were a great number of indicators, and many of them were difficult to understand and were ambiguous; the member asked how did the Performance Improvement and Efficiency Unit refine them? In response, the Manager noted that she tried to have the units to consider what their purpose was, and what could prevent them from meeting their objectives. In other words, what are their risks?

2.7.6 Although not every indicator was relevant to everyone, a member asked whether one big questionnaire was used by everyone in the Council as they prepared their indicators? The Senior Manager Audit and Risk noted that they were concerned about overcomplicating things, and that the procedure should be kept as simple as possible. The Council was much more mature in this context by now. The Senior Manager emphasised that this was a point of interest to the Audit Committee, as risk was a key part of their duties.

2.7.7 The Performance Improvement and Efficiency Manager added that there was an effort to keep the quarterly performance report simple. When an indicator is red – i.e. underperforming – an action plan is expected, and an answer to the Cabinet Member. The relevant Department and the Cabinet Member are expected to discuss the matters.

2.7.8 The Chairman asked whether the officers were happy with the situation. It was noted that there was one recommendation for Heads; the Working Group agreed that it was important that everyone understood this and that the responsibility remained with them.

2.7.9 The Performance Improvement and Efficiency Manager was thanked for attending the meeting and for explaining the situation clearly to the members.

2.8 Schools Effectiveness Grant and the Pupil Deprivation Grant

2.8.1 The main findings of the audit were as follows:

We found that the Council had a specific strategy and plans in place for the Schools Effectiveness Grant and the Pupil Deprivation Grant in 2012-13, and that a signed agreement was in place between the Council and the Welsh Government for the grants, with a strategy in place for 2012 - 13. However, it was found that no supporting documentation and evidence had been retained to support the grant output figures presented by the Council to the Welsh Government for 2012-13. In addition, it was found that the Education Department did not have ownership of all of the relevant grant documentation for 2012-13, and that there weren't adequate arrangements in place to keep grant documents for the retention periods set by the Welsh Government in the terms and conditions.

2.8.2 Helen Walker, Education Quality Improvement Officer (Grants Management and Monitoring) in the Education Department, was welcomed to the meeting.

2.8.3 A brief background was given to the purpose of the two grants, which are awarded by the Welsh Government. 80% of the Schools Effectiveness Grant is devolved to the schools with 20% remaining centrally, and its purpose is to raise literacy and numeracy standards. The purpose of the Pupil Deprivation Grant is to reduce the effect of poverty on pupils' attainment – this grant is fully devolved to the schools.

2.8.4 A paper was submitted which had been produced by the Education Quality Improvement Officer outlining what the Education Department intended to do in response to the Internal Audit report. The paper included detailed steps that have been adopted to change the procedure of administering the grants.

2.8.5 It was noted that the national guidelines made it a requirement for every school to submit a detailed Expenditure and Action Plan which corresponded with the plan of the North Wales Consortium / GwE. These plans include details of action and expenditure under the sub-headings of the two priorities (Literacy/Numeracy and Reducing the Impact of Poverty) with learner outcomes and costs noted clearly. These forms are returned electronically to the Education Quality Improvement Officer so that the plans and the expenditure can be approved by the Authority.

2.8.6 As well as tracking the expenditure carefully, the schools and the Authority present clear evidence of the 'effect' of any expenditure on pupils' attainment/learning outcomes e.g. improved reading/numeracy results. Information regarding targets / outcomes / outputs is noted on the Form. Specific and measurable (SMART) targets must be set.

2.8.7 The Working Group was assured that the Finance Unit would not release grant money to the school unless the claim form was completed correctly. This form notes the expenditure on resources, staffing etc. Each school is also required to submit evidence of their expenditure when they claim the money from the Authority, noting the name of the supplier and the amounts paid, and noting employment. The Education Quality Improvement Officer verifies every such Form that is submitted, and signs it. There was now awareness of the importance of using the appropriate payment slip when processing and paying invoices that have been funded by grant money. The expenditure on this form had to correspond with the expected expenditure in the Business Plan.

2.8.8 Supporting documents and evidence are kept on file to support the figures and performance results and outputs that are presented to the financial body at the schools. It was noted that the Education Department was already in the process of ensuring the transfer of the documents relating to the Schools Effectiveness Grant and the Pupil Deprivation Grant 2012-13 which were in Cynnal's ownership.

2.8.10 The officer was thanked for her comprehensive response.

2.9 Control Over Ordering and Payment for Property Repairs and Maintenance

2.9.1 The main findings of the audit were as follows:

The electronic system that is in place for the production of orders for property repairs by the Maintenance Team has been in use by the Property Service for a considerable period. Recently, the team has been subject to a review of streamlining processes with the result that a number of expected traditional controls have been abolished. The relevant principle in the current process is trust in the staff, and that managers accept the risks that are inherent in this. At the time of the audit, processes of establishing payments through the system are being tested and the process is expected to be operational by the 2014/15 financial year.

Some issues arising from the tests of this audit were noted which will need to be addressed by the Maintenance Team. There is a need to continue to transfer paper invoices to the Payments Service because of taxation requirements whilst avoiding a significant delay in the process. There is a need to establish a system of delegating the task of processing invoices in the absence of a member of staff. It is possible to create a payment for an item of work that has already been recorded as being completed and it would be appropriate to prevent this.

There is a need to ensure that there are processes within establishments to prevent reporting more than once on the same matter in order to avoid duplicate orders. There is scope to slightly amend the clauses that appear on official orders so that the impact of contractors not operating as expected are made clear.

2.9.2 Dafydd Gibbard (Senior Manager for Corporate Property) and Owain Samuel Owen (Maintenance System Leader) were welcomed to the meeting.

2.9.3 The Senior Manager Audit and Risk presented the background to the audit. Specifically, he explained that the Property Maintenance Unit is a service that has been subject to a “systems thinking” study, a system where all business procedures and processes are reviewed. This was part of the vision of the Gwynedd Way, which the prospective Chief Executive wanted to spread across the Council, namely to put the people of Gwynedd central to everything we do, and refrain from doing anything that will not add value to the people of Gwynedd. The Senior Manager Audit and Risk noted that this mentality would affect Internal Audit – not only in terms of reviewing our own work arrangements, but also in terms of what we will be reporting in our work. To this end, everyone in Internal Audit had already received a presentation from the prospective Chief Executive. It followed, therefore, that there will be an effect on what is reported to the Audit Committee in the future. The Senior Manager Audit and Risk emphasised that he was keen that Internal Audit and the Audit Committee supported the new procedure, and did not hinder it.

2.9.4 The result of the “old way” of working was that tiers of bureaucracy and internal controls had grown over a number of years, creating ineffective procedures. On the other hand, removing all the controls could lead to unacceptable risks. One of the main aspects to consider when planning this audit, therefore, was to review which activities had been identified as “waste”, and whether essential controls had been removed from this system as a consequence of that.

2.9.5 The Senior Manager for Corporate Property explained that he agreed with the presentation by the Senior Manager Audit and Risk, and noted that the whole purpose of the arrangement was to put the Customer first, and introduce procedures that were a better way of working in order to provide for the Customer. It was noted that the Unit was now being run at a cost of £100,000 less per annum, and customer satisfaction had increased significantly. Work was now completed within 10 days, whereas previously it would take 89 days.

- 2.9.6 The officers from the Property Unit were completely comfortable with the recommendations of the report; each one had already been addressed, but Recommendation A03 (*The Maintenance Team should request that each site manager gives their assurance that they have incorporated a procedure within their establishment to prevent more than one order being made for the same work*) required further attention, and the ability to implement Recommendation A04 (*The manufacturers of the Tribal K2 system should be requested to programme an adjustment to the system which would prevent users from creating any payments for work that has been recorded as having been paid for in total*) was beyond the Department's control.
- 2.9.7 One member said that he was familiar with these arrangements as he was a member of the Systems Thinking Working Group through his membership of the Corporate Scrutiny Committee. In a discussion, the Senior Manager Audit and Risk emphasised that this thinking, if implemented correctly, could have a far-reaching effect on the Council's attitude to risk, and the way Internal Audit will review, assess and report, including reporting to the Audit Committee. Auditors will need to change their way of thinking, and concentrate on the things that are truly important, and which affect the Council's ability to provide for the people of Gwynedd. It was noted that auditors could be nervous about not reporting on a relatively minor issue in a report, in case something stemmed from it. In response, the Senior Manager for Corporate Property noted that this nervousness could filter down to the units, who were hesitant of doing something that Internal Audit had drawn attention to.
- 2.9.8 The Senior Manager for Corporate Property explained that the Unit dealt with 9,000 pieces of work annually, and that 80% of these were categorised as "simple" work.
- 2.9.8 The Working Group agreed that systems thinking and the Gwynedd Way were important procedures, which needed support. If Internal Audit and the Audit Committee were not willing to buy in to the new mentality, it could undermine the vision.
- 2.9.9 The officers were thanked for their positive responses, and for the background to the new work arrangements.**

2.10 Arrangements for Registering Births, Deaths and Marriages

2.10.1 The main findings of the audit were as follows:

During the audit, it was discovered that the registrars still use the cash books, although it was expressed some years ago that there were plans to move to an electronic system. It was regretful to see that there were no developments in this field, and many of the of control weaknesses in the Registration Service, especially in respect of reconciling the Contact Centre's income, stem from the absence of an adequate operating system that is able to cope with the various elements.

2.10.2 Iolo Roberts, Registration Manager, was welcomed to the meeting.

2.10.3 The Senior Manager Audit and Risk gave a brief background to the situation, and explained the historical working arrangements of the Registrars.

2.10.4 The Registration Manager explained that there are two Registrars in Dolgellau and Pwllheli, and three in Caernarfon. The Registrars are now employed by the Council (they were previously employed by the General Register Office), and the arrangement has been modernised. However, each Registrar is responsible for their own stock (i.e. blank certificates), and it is their personal responsibility to reconcile the stock in their possession. They receive new stock from the Registrar General. Therefore, the Registrars are accountable to the Council on a daily basis, but accountable to the Registrar General for their stock.

2.10.5 The Registration Manager gave an update on developments since the report was released. He said that they intended to do away with the paper cash book, as Information Technology had designed a system which would be tested very soon. It was hoped that this will answer many of the problems that have arisen in the past, and which are highlighted in the report.

2.10.6 In terms of reconciling applications that are received through Galw Gwynedd, it was noted that the money went to a central fund, and it was difficult to know which Registrar the money should be allocated against, which made reconciliation difficult. The new system should be synchronised with the Siebel system in Galw Gwynedd, to be able to reconcile properly.

2.10.7 The Registration Manager was thanked for the information.

2.11 Overnight Arrangements at the Council's Homes

2.11.1 The main findings of the audit were as follows:

Examples of good practice were found within some areas of night staff arrangements in the Council's Homes, e.g. night staff timetables. However, it appears that more robust staff monitoring is needed and clear guidelines provided for them. Consequently, appropriate steps should be taken to strengthen the controls within the audited field.

2.11.2 Gwenno Williams, Senior Operational Manager, was welcomed to the meeting.

2.11.3 The Senior Manager Audit and Risk explained that this audit had been undertaken at the request of the Senior Operational Manager, and that it was no surprise to the Department that the audit had received a 'C' opinion.

2.11.4 There is plenty of work to do during the night. The duties night workers are expected to complete include usual housework such as cleaning, washing and ironing. Not every home has a check list that highlights what should be done, but some managers do carry out spot checks during the night.

2.11.5 In terms of work hours, night staff work 9¼ hours for 3 nights in one week, and then for 4 nights the following week. Because of fire regulations, it is a requirement to have three people sleeping in on site during the night. However, it is not expected for all three of them to work, and the one who sleeps in is only woken up if there is a fire.

2.11.6 The Senior Operational Manager showed the Working Group a copy of the Management Monitoring Book that had been prepared by the Department. This booklet was a series of check lists, and every manager is expected to check this book in the mornings. Although some of the residents slept throughout the night, this was not the case with every one. Homes have changed, with many people with dementia residing in them now, which meant that some residents were awake throughout the night. The Management Monitoring Book is a means of addressing and managing this changing situation.

2.11.7 The Senior Operational Manager said that she was happy with all the recommendations.

2.11.8 The Senior Operational Manager was thanked for her comments and the arrangements that were outlined.

2.12 Overtime Claims Procedures

2.12.1 The main findings of the audit were as follows:

It was found that the majority of overtime worked is planned in advance and that the circumstances have been considered carefully, exploring other possibilities before plans for overtime are authorised. Due to the nature of some services, it is inevitable that unplanned overtime occurs when an emergency arises. It was found that each service selected for the audit uses an appropriate form for recording overtime, although there is a difference in the style and format of the forms used.

Evidence was found of good processes to confirm the appropriateness of claims, including checks of cross referencing together with good practice for numerical checks by a number of services. However, it was found that this was not consistent across the Council and there have been instances where no checks are carried out at all on the claims submitted.

2.12.2 Two main matters had come up in this audit, namely an overpayment that had been made in the Leisure Service as a result of an error, and the general arrangements across the Council when dealing with overtime claims.

2.12.3 Since the Senior Operational Manager was already at the meeting, the overpayment in the Leisure Service was dealt with first. It was reported that the overpayment had occurred through a complete mistake. The relevant officer had not received training on how to complete overtime forms (this would not have been part of the basic training). Furthermore, this form had been sent to someone else to be certified, but this person had not noticed the mistake either.

2.12.4 The Senior Operational Manager noted that new arrangements had been introduced in order to better verify the overtime claimed.

2.12.5 The Senior Operational Manager was thanked for the explanation, and for reviewing the arrangements.

2.12.6 William Jones, Senior Finance Manager, attended to answer any questions the Working Group may have regarding the general arrangements for claiming overtime. He said that in some departments, officers approved overtime for a number of services. The problem with this is they cannot take an overview of the entire situation, including the financial situation. Also, they did not always check the overtime against the budget allocated for it.

2.12.7 He noted that there had been substantial costs due to work following the inclement weather last winter. An effort was made to recover the money from the Government, but to be able to do this, very detailed records had to be kept in order to be able to claim them. In other circumstances, the requirements were not as stringent.

2.12.8 The relevant information arrived at the Payroll Unit in one of two ways:

- Individual paper forms
- On a spreadsheet from the relevant Department (the preferred format by Payroll, as there is a risk with the paper forms that a false claim has been submitted).

2.12.9 The Senior Finance Manager noted that there were developments in the pipeline – the arrangements of Payroll and Human Resources had been reviewed, with a view to integrate both systems. This will introduce an element of self-service, which should improve effectiveness and control – the information will be fed in directly to the system by the individual, and will be authorised on-line by the Manager. The Senior Finance Manager was asked how far we were from having a fully operational electronic system. He replied that the Human Resources and Finance Departments currently had separate systems, and the task now was to merge both systems.

- 2.12.10 The Senior Finance Manager emphasised that the Payroll Unit worked to a very tight schedule. When individuals complained that they had not been paid, the information may have been slow arriving at the Unit, or perhaps the individual was not aware of the timescale. Further to this, it must be considered that the details have to be sent to the banks two days before the pay day, which in itself reduces the timescale.
- 2.12.11 The Senior Finance Manager was satisfied with the particular recommendation that was relevant to the Payroll Unit, but he emphasised the importance of pressing on departments to improve their arrangements.
- 2.12.12 As part of performance measuring arrangements, the Payroll Unit measures enquiries. This enables them to monitor which problems have arisen within the Unit, and which ones have come from which departments.
- 2.12.13 As well as the discussion regarding specific cohorts of employees, the Working Group was keen to receive further information on whether recycling / waste collection workers received overtime payments, or whether they were expected to complete all the work within the basic salary. Concern was also expressed that the Council's translators travelled to meetings where they were not needed, because the individuals who would have required their service had not notified the Council that they would not be attending.
- 2.12.14 The Senior Manager Audit and Risk agreed that he would look into this, and report back to the Audit Committee.**
- 2.12.15 The Senior Finance Manager was thanked for attending the meeting, and for his information and advice.**

2.13 *Siopau Gwynedd* Follow-up

2.13.1 The main findings of the audit were as follows:

Action was unsatisfactory. Of the six recommendations made, it was seen that the Department had implemented four of them.

- 2.13.2 Idris Thomas Jones, (Customer Contact Manager) and Joanne Parry (Customer Contact and Council Offices Cleaning Service Assistant Manager) were welcomed to the meeting to respond to the report.
- 2.13.3 The Senior Manager Audit and Risk explained that the original report had received a 'C' opinion and that it had been addressed by the Working Group in September 2013. The follow-up work had received an 'Unsatisfactory' opinion.
- 2.13.4 The Customer Contact Manager noted that the Unit had strived to ensure that all staff at *Siopau Gwynedd* received personal safety training. Unfortunately, although this was a priority for Customer Contact, the Manager reported that Social Services were afforded the priority by the Training Unit. Nevertheless, only one worker remained who had not received the training, and this would happen before the end of June. As in September, he emphasised to the Committee that it was not possible to close the doors of *Siopau Gwynedd* for everyone to receive the training at the same time.
- 2.13.5 The Customer Contact and Council Offices Cleaning Service Assistant Manager expressed that no one from Internal Audit had spoken to her when the audit was being undertaken. The Senior Manager Audit and Risk responded that Internal Audit staff were also expected to learn and develop in the work continuously.
- 2.13.6 The Senior Manager Audit and Risk emphasised that the report stated that four out of six recommendations had been implemented, and that the reason the report had been categorised as unsatisfactory was the failure to reconcile the *Siop Gwynedd* income at the time of the follow-up. The Senior Manager said that Internal Audit did not hold spot-checks often, but they had in this instance, because of the nature of the test that had to be undertaken.
- 2.13.7 The Customer Contact officers reported that the performance weaknesses in this field were being formally addressed at present.
- 2.13.8 On the other hand, it was reported that the Senior Revenue Manager had praised the steps taken by staff at *Siopau Gwynedd* as they provided advice on benefits and taxation.
- 2.13.9 The Customer Contact and Council Offices Cleaning Service Assistant Manager was particularly unhappy that new things were being addressed in the follow-up memorandum (RADAR key fees) that had not been included in the original report. Furthermore, she emphasised that this matter was not a managerial weakness by *Siopau Gwynedd* in any case, since *Siopau Gwynedd* implemented the instructions of the Highways and Municipal Department.
- 2.13.10 Finally, the Customer Contact Manager emphasised that the savings system will have a significant effect on the service.
- 2.13.11 The officers were thanked for attending the meeting, and for the information presented by them.**

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	15 JULY 2014
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF THE INTERNAL AUDIT SECTION FOR THE PERIOD TO 30 JUNE 2014
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION

1. INTRODUCTION

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 1 April 2014 to 30 June 2014.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following audit work was completed in the period to 30 June 2014:

Description	Number
Reports on Audits from the Operational Plan	9
Follow-up Audits	3

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 30 June 2014, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Leasing Arrangements in Schools	Education	Schools	C	Appendix 1
Benefits System - Closure 2013-14	Finance	Revenue	A	Appendix 2
Council Tax System - Closure 2013-14	Finance	Revenue	A	Appendix 3
NNDR System - Closure 2013-14	Finance	Revenue	A	Appendix 4
Plas Maesincla, Caernarfon	Adults, Health and Wellbeing	Residential and Day	B	Appendix 5
Plas Ogwen, Bethesda	Adults, Health and Wellbeing	Residential and Day	C	Appendix 6
Playgrounds	Highways and Municipal	Municipal Works	B	Appendix 7
Waste Disposal Contracts	Highways and Municipal	Waste Management and Streetscene	A	Appendix 8
Public Footpaths and Recreational Routes	Regulatory	Environment	B	Appendix 9

2.2.2 The opinion categories within the reports affirm the following:

- Opinion "A" Assurance of financial propriety can be expressed as the controls in place can be relied upon and have been adhered to.
- Opinion "B" Controls are in place, and partial assurance of financial propriety can be expressed as there are aspects where some procedures can be strengthened.
- Opinion "C" Assurance of financial propriety cannot be expressed as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered.
- Opinion "CH" Assurance of financial propriety cannot be expressed as acceptable internal controls are not in place; losses / fraud resulting from these weaknesses were discovered.

2.4 Follow-up Audits

2.4.1 The following table summarises the follow-up work completed during the period:

TITLE	DEPARTMENT	FOLLOW-UP OPINION
Use of Cetus - CALMS	Human Resources	Acceptable
Data Protection Clause in Job Descriptions	Corporate	Acceptable
Officers' Interests Policy	Corporate	Acceptable

2.4.2 The conclusion of follow-up work is placed in one of four categories:

Excellent – all recommendations implemented as expected.

Acceptable – most recommendations, including the majority of “essential” recommendations, implemented as expected.

Unsatisfactory – several recommendations not implemented.

Unacceptable – most recommendations (including essential recommendations) not implemented, and no evidence of efforts to improve internal controls.

2.4.3 The list below shows the ‘C’ or ‘CH’ opinion category reports presented to the Audit Committee as appendices to the quarterly reports, where a report to the Committee regarding the follow-up remains outstanding. The list shows the target completion date for each of these follow-up audits:

Completion Target: Quarter ending 31 December 2013

Contract Terms - DBS Checks
Staff DBS Checks

Completion Target: Quarter ending 30 June 2014

Health and Safety Risk Assessments
Software Licences (Schools)
Direct Payments
Subsidised Travel Tickets

Completion Target: Quarter ending 30 September 2014

Verification of Performance Measures
Corporate Complaints Procedure
Ports
School Statistics and Censuses
Country Parks
Overnight Arrangements at Council Homes
Bryn Blodau, Llan Ffestiniog
Schools Effectiveness Grant and Pupil Deprivation Grant

Completion Target: Quarter ending 31 December 2014

Arrangements for Registering Births, Deaths and Marriages
Overtime Claims Procedures
Laptop Security
Leasing Arrangements in Schools

Completion Target: Quarter ending 31 March 2015

Plas Ogwen

3 WORK IN PROGRESS

3.1 The following work was in progress as at 1 July 2014.

3.2 Draft reports released

- Secondary Schools - Governance (*Education*)
- Contribution to preparation of the Annual Governance Statements (*Corporate*)

3.3 Work in progress

- Staff Protection Register (*Corporate*)
- Mobile Phones (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Protocol for Member-Officer Relations (*Corporate*)
- Officers Gifts and Hospitality (*Corporate*)
- Sickness Arrangements - Referrals to Occupational Health (*Corporate*)
- Bank Reconciliation - Closure 2013-14 (*Finance*)
- Main Accounting System - Review of Key Controls (*Finance*)
- Debtors System - Review of Key Controls (*Finance*)
- CHAPS Payments (*Finance*)
- Communities First - The New Scheme (*Economy and Community*)
- Youth Service - Training Grant (*Economy and Community*)
- Youth Service - Revenue Grant (*Economy and Community*)
- Inclement Weather Plan (*Corporate*)
- Leisure Centres (*Economy and Community*)
- Homelessness (*Adults, Health and Wellbeing*)
- Families First Grant (*Children and Supporting Families*)
- Follow-up - Health and Safety Risk Assessments (*Corporate*)
- Sustainable Waste Management Grant (*Highways and Municipal*)
- Traffic Orders (*Regulatory*)
- Planning Service - time taken to make decisions (*Regulatory*)
- Joint Planning Policy Committee (*Regulatory*)
- Follow-up to Reviews on Gwynedd Consultancy (*Gwynedd Consultancy*)

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 2014 to 30 June 2014, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

LEASING ARRANGEMENTS IN SCHOOLS

Education

Purpose of the Audit

The purpose of the audit is to ensure that schools receive value for money when leasing equipment in the schools, and that the schools and the Council comply with the relevant financial regulations. Check that leasing terms and costs in schools are agreed with the suppliers and that leasing payments correspond with what was agreed.

Scope of the Audit

Check that the Education Department has provided guidelines for schools, noting what is expected when leasing equipment. Select a sample of schools and check that they have received quotations from suppliers before agreeing to a lease, and that an agreement has been established with the supplier in relation to the conditions and costs of the lease. Check that schools inform the Finance Department before leasing any equipment and that the Finance Department approves the lease. Check that the Finance Department has a current register of equipment that is leased in schools. Compare the leasing costs of the several suppliers used by schools and check that schools are not paying high fees to specific suppliers. A sample of three secondary schools and seven primary schools were queried about their leasing arrangements as part of the audit.

Main Findings

It was seen that schools do not contact the Development Finance Unit beforehand in order to receive approval before leasing equipment in schools. This is contrary to the requirements of the Council's Financial Procedure Rules. In addition, it was seen that the Development Finance Unit does not have a current list of equipment that is leased by Gwynedd schools. This is contrary to the requirements of the International Financial Reporting Standards (IFRS). It was seen that some schools had not retained a signed copy of the agreement/s established with leasing equipment suppliers which notes the costs and terms and conditions of the lease, or that some schools had lost their signed copy of the leasing agreements with the suppliers.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Leasing Arrangements in Schools as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **It should be ensured that schools receive appropriate quotations in accordance with rule 8.4 of the 'Financial Regulations for Schools and Delegated Budgets' when leasing equipment in schools in the future, as well as keeping a copy of inquiries / quotations on file at the school.**
- **The importance for schools to establish and keep a copy of the signed contracts they establish with leasing equipment suppliers should be highlighted, as well as receiving a copy of the terms and conditions of contracts.**
- **It should be ensured that the Development Finance Unit's list of leased equipment in schools is updated and kept current in the future, with schools who do not submit their details of leased equipment being pursued.**

BENEFITS SYSTEM - CLOSURE 2013-14
Finance

Purpose of the Audit

The Code of Audit Practice of the Auditor General for Wales, April 2010, states that the external auditors, when carrying out their audit of the Council's accounts, will rely where possible on the work of Internal Audit (and others). As a result, the Joint Protocol between External Audit and Internal Audit, approved by the Audit Committee on 17 November 2011, states:

As part of their key role in reporting upon the adequacy of internal control, and providing a basis for the authority's Annual Governance Statement, which is required to be published with the Council's annual statement of accounts, it is expected that Internal Audit will test key controls of the Council's major financial systems on an annual basis.

The benefits system is considered a "major financial system" in accordance with the Wales Audit Office's definition.

The purpose of the audit is to ensure that appropriate arrangements are in place for closing down the financial year, by confirming that the appropriate reconciliations are conducted.

Scope of the Audit

Check that the reconciliations that are part of the exercise of closing the previous financial year are conducted in a timely manner and that they are complete and accurate.

Main Findings

It was found that the reconciliation processes expected for the end of the financial year have been completed

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in the 2013-14 Closure of the Benefits System as the controls in place can be relied upon and have been adhered to.

COUNCIL TAX SYSTEM - CLOSURE 2013-14

Finance

Purpose of the Audit

The Code of Audit Practice of the Auditor General for Wales, April 2010, states that the external auditors, when carrying out their audit of the Council's accounts, will rely where possible on the work of Internal Audit (and others). As a result, the Joint Protocol between External Audit and Internal Audit, approved by the Audit Committee on 17 November 2011, states:

As part of their key role in reporting upon the adequacy of internal control, and providing a basis for the authority's Annual Governance Statement, which is required to be published with the Council's annual statement of accounts, it is expected that Internal Audit will test key controls of the Council's major financial systems on an annual basis.

The Council Tax system is considered a "major financial system" in accordance with the Wales Audit Office's definition, and therefore a review of this system is intended. The purpose of the audit was to ensure that the total amount of Council Tax bills have been recorded correctly in the system and are consistent with the amounts approved by Full Council as well as other authorities. Ensure that the total properties in Gwynedd have been properly recorded on the system and are consistent with the reports of the Valuation Office. Confirm that the financial account has been updated appropriately and that appropriate arrangements are in place for council tax debt recovery as well as ensuring that arrangements are in place for monitoring and managing the performance of the Unit.

Scope of the Audit

Review and test that appropriate year-end procedures are in place for recording information.

Main Findings

Good practice exists in the process of reconciling and closing down at the end of the financial year. It was found that all the expected reconciliation processes are achieved in line with expectations.

The only weakness observed was that money remains in the suspense account at the end of the financial year. Information was received that a lack of means to identify to which account the money belongs is the reason for the majority. For the minority (£297.75), information was received that this was grant money to pensioners as a contribution towards their council tax. These pensioners received the full benefit that was backdated after receiving the grant money that led to the credit on their account. It was noted that it was inappropriate to repay the credit as it was grant money.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in the 2013-14 Closure of the Council Tax System as the controls in place can be relied upon and have been adhered to.

NNDR SYSTEM - CLOSURE 2013-14

Finance

Purpose of the Audit

The Code of Audit Practice of the Auditor General for Wales, April 2010, states that the external auditors, when carrying out their audit of the Council's accounts, will rely where possible on the work of Internal Audit (and others). As a result, the Joint Protocol between External Audit and Internal Audit, approved by the Audit Committee on 17 November 2011, states:

"As part of their key role in reporting upon the adequacy of internal control, and providing a basis for the authority's Annual Governance Statement, which is required to be published with the Council's annual statement of accounts, it is expected that Internal Audit will test key controls of the Council's major financial systems on an annual basis."

The NNDR system is considered a "major financial system" in accordance with the Wales Audit Office's definition, and therefore a review of this system is intended. The purpose of the audit was to ensure that the NNDR bills have been processed correctly and in accordance with rateable values that are set by the Valuation Office, and that there are appropriate processes for collecting, recording and monitoring payments.

Scope of the Audit

Review and test that appropriate processes are in place for the year-end reconciliation.

Main Findings

It was seen that the year-end reconciliation has been completed in line with expectations.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in the 2013-14 Closure of the NNDR System as the controls in place can be relied upon and have been adhered to.

PLAS MAESINCLA, CAERNARFON
Social Services, Housing and Leisure

Purpose of the Audit

Ensure that the financial, security and medication arrangements at Plas Maesincla Home are appropriate and in accordance with the Council's Financial Procedure Rules.

Scope of the Audit

Audit the main areas of expenditure and income according to the 2013-14 ledger, together with the management arrangements at the Home. Audit the medication arrangements at the Home to ensure they are in accordance with relevant regulations, legislation and guidelines.

Main Findings

Examples of good practice were found to exist in some of the arrangements of Home. However, it seems that there are examples of acting in contravention of the Council's administrative procedures and as a result of the Financial Procedure Rules. This was checked in different areas of the home such as budgetary arrangements, due process of ordering, receiving and paying for goods and services, the residents' pocket money arrangements and procedures for approving holidays. Because of this, appropriate measures should be taken to strengthen the arrangements within the area examined.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Plas Maesincla, Caernarfon as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Where it becomes apparent from the monthly budget reports that an overspend is likely, this should be discussed with the Area Manager to try to agree on steps to improve / resolve the deficit.**
- **It should be ensured that timesheets are checked against records of the Home's rota before signing them to ensure that the salary costs of the Home are correct.**
- **Every effort should be made to ensure no overspend on the managed budget. The specific officers should be made aware of the budget and be careful with expenditure.**
- **All orders should always be certified by an authorised officer to ensure that the order has been agreed in advance and that a budget is available for the purchase. Staff should familiarise themselves with the Council's Financial Regulations to ensure that the correct process of ordering goods or services are being followed.**
- **The holiday agreement procedure should be used correctly and consistently all the time. The application form should be changed to reflect the way the holiday entitlement is calculated, which is in hours or days / nights.**
- **It should be ensured that there are two receipt signatures for any medication that is added to the MAR form.**

Further comments by the Service

Noted. The Service will arrange to retrain the Clerk of the Home on all these issues.

PLAS OGWEN, BETHESDA
Social Services, Housing and Leisure

Purpose of the Audit

Ensure that the financial, security and medication arrangements at Plas Maesincla Home are appropriate and in accordance with the Council's Financial Procedure Rules.

Scope of the Audit

Audit the main areas of expenditure and income according to the 2013-14 ledger, together with the management arrangements at the Home. Audit the medication arrangements at the Home to ensure they are in accordance with relevant regulations, legislation and guidelines.

Main Findings

Examples of good practice were found to exist in some of the arrangements of Home. However, it seems that there are examples of acting in contravention of the Council's administrative procedures and as a result of the Financial Procedure Rules. This was checked in different areas of the home such as budgetary arrangements, due process of ordering, receiving and paying for goods and services, the residents' pocket money arrangements and procedures for approving holidays. Because of this, appropriate measures should be taken to strengthen the arrangements within the area examined.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Plas Ogwen, Bethesda as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **Where it becomes apparent from the monthly budget reports that an overspend is likely, this should be discussed with the Area Manager to try to agree on steps to improve / resolve the deficit.**
- **Invoices should be sent to be paid on time i.e. within one month of the date of receipt of the invoice.**
- **There should be a better control over the safe key to ensure that access to residents' money is by authorised officers only.**
- **Holiday requests should be approved at all times.**
- **All relevant personnel should be trained, should confirm that they have received it, and if not relevant to the individual, a record of this is made on the list of staff training.**
- **Relevant staff should sign that they have read the Medication Policy and if it does not apply to them, is recorded on the form**
- **There should be a record of the movement of medication in or out, whether controlled or not, containing 2 signatures to avoid any suspicion of abuse.**

Further comments by the Service

Noted. The Service will arrange to retrained the Clerk of the Home on all these issues.

Underperformance issues with some aspects of the report will be given attention.

PLAYGROUNDS

Highways and Municipal

Purpose of the Audit

The purpose of the audit is to ensure that appropriate internal controls are associated with the arrangements for managing inspection work and ensuring the safety of Gwynedd playgrounds.

Scope of the Audit

The audit encompassed the planning and monitoring arrangements of the inspectors' work programme to ensure the safety of playgrounds.

Main Findings

When reviewing the playground inspection arrangements, it was found that strong arrangements of good practice are shown by the Department which is in line with the safety arrangements of the Council, Zurich and RoSPA. We looked at arrangements that are in place to ensure that all play areas are being inspected and that any replacement work has been completed within the expected timeframe. It was observed that the work was of a high standard, work was completed on time and records are kept in a neat organised filing system. However, three amendments to the good practice are proposed, which are to monitor inspections regularly, retain records meetings and add an inspection retention policy to the corporate policy. However, the arrangements in place are effective.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the Playground inspection arrangements as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The creation of a regular monitoring system should be considered to ensure that the inspections are completed correctly and that the paperwork is complete at all times.**
- **Consideration should be given to keeping records of meetings where important information was communicated to ensure that there is a record of who is present and receive the message.**
- **The addition of the record-keeping requirements of documentation regarding playground inspections to the corporate retention policy should be considered, to ensure that there is consistency should there be a change in officers.**

WASTE DISPOSAL CONTRACTS

Highways and Municipal

Purpose of the Audit

Ensure that the Waste Disposal Agreements are of an acceptable quality / detail so that they can be enforced. In addition ensure that the agreement is monitored so that the service received is consistent and of the expected quality for the needs of the service.

Scope of the Audit

Check the internal controls for tendering and monitoring the Waste Disposal Agreement.

Main Findings

We found that there was good practice in the administration and monitoring of the Waste Disposal Agreements. We looked at the tendering process and found that the appropriate rules and the decisions taken were transparent and fair. We examined the agreement between the Council and the company in detail and it was seen to be of an acceptable standard. A check of the costs, invoices and performance indicators shows that the monitoring is carried out regularly and in detail including monthly reports. It was seen that there are regular discussions between the Council and the company, e.g. on-site monitoring of turnaround time because the agreement still fairly new. It was seen that the arrangements for managing the Waste Disposal Agreement is of a very high standard. As a result there is no recommendation for consideration following this review.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in the administrative arrangements of the Waste Disposal Contracts as the controls in place can be relied upon and have been adhered to.

PUBLIC FOOTPATHS AND RECREATIONAL ROUTES

Regulatory

Purpose of the Audit

The purpose of the audit was to ensure that the Council's statutory duties of maintaining a network of public footpaths in Gwynedd are met, and that appropriate internal controls are attached to the process.

Scope of the Audit

The audit encompassed the verification of the Council's proactive and reactive arrangements for the maintenance of the County's public rights of way network. The audit also reviewed collaborations with other relevant authorities such as the National Park, Community Councils and volunteers, as well as examining the practice of keeping the Definitive Map and Statement current.

Main Findings

Overall, when considering the arrangements in place to strengthen the Service's administrative procedures and record keeping, it was seen that the arrangements for maintaining public footpaths in Gwynedd were adequate. By also considering the available resources, the need to prioritise routes to get the best value from the resources available was recognised, and so it is not practical to maintain every route proactively. Unfortunately, the further reductions in staffing numbers of the Service in 2015/16 will increase the risks of not being able to fully meet their obligations, although there is an effort to try to plan ahead.

However, it was found that the current arrangement in which Community Councils are reimbursed by Gwynedd Council for expenditure on maintenance on paths means that at times the Council funds the VAT element paid to the contractor but it is not possible to reclaim this from HMRC as Community Councils do not provide VAT invoices.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in the maintenance of Public Footpaths and Recreational Routes as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **To ensure best use of resources, community councils should be reminded to apply for a refund on maintenance work on category 1 and 2 footpaths only. If a contractor invoices for work noting costs for more than one route, a breakdown of costs per route should be included in order to highlight what is eligible for reimbursement.**
- **For VAT reasons, the Council should consider paying invoices directly to contractors rather than reimbursing Community Councils. Should this procedure be adopted, it will require invoices to be received and checked by the Community Councils - but would require the contractor to note the name of Gwynedd Council on the invoice and not the Community Councils.**
- **The recommendations identified in the action plan of the recent review of the arrangements of Service should continue to be implemented.**

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	15 JULY 2014
TITLE	INTERNAL AUDIT PLAN 2014/15
PURPOSE	TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2014/15 INTERNAL AUDIT PLAN
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT & RISK
ACTION	FOR INFORMATION

1. INTRODUCTION

1.1 This report is a progress report on completion of the 2014/15 internal audit plan.

2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2014/15 internal audit plan is included in the appendix with the status of the work as at 1 July 2014 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	65
Working Papers Created	3
Field Work Started	15
Manager Review	4
Draft Report Issued	2
Final Report Issued	8
Total	<u>97</u>
Cancelled	1

2.2 The performance target for 2014/15 is to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2015. The quarterly profile of this indicator is as follows:

End of quarter 1	15%
End of quarter 2	35%
End of quarter 3	60%
End of quarter 4	95%

2.3 As seen from the table above, Internal Audit's actual achievement up to the end of the first quarter was **8.2%** - out of **97** individual audits contained in the 2014/15 revised plan, **8** had been released in a finalised version by the end of the quarter. The performance is therefore below the profile set, but the situation is expected to be remedied by the end of the year.

3. AMENDMENTS TO THE PLAN

- 3.1 Following discussions with the Head of Adults, Health and Wellbeing, it was decided that a review of Extra Care Housing in 2014/15 would not be an effective use of Internal Audit resources. In the meantime, a request was received by the Head of Regulatory to carry out an audit of Food Hygiene, Health and Safety Inspection Programmes.
- 3.2 Therefore, the Extra Care Housing audit has been cancelled, and 10 days have been transferred to the Food Hygiene, Health and Safety Inspection Programmes audit. In addition, 25 days was found to be excessive for the Sustainable Waste Management Grant audit, so a further 15 days has been transferred to the Food Hygiene, Health and Safety Inspection Programmes audit, so that a total of 25 days have been allocated to it.

4. RECOMMENDATION

- 4.1 The Committee is asked to note the contents of this report as an update on progress against the 2014/15 audit plan, offer comments thereon and accept the report.



Internal Audit Plan 2014/15

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
CORPORATE						
1-CORFF-07/2015	Jobs System - security and accuracy	25.00	0.00	25.00		Planning
1-CORFF-08/2015ffon	Mobile Phones	30.00	0.00	30.00	15.53	Field Work Started
1-CORFF-08/2015tech	Use of Technology - Value for Money review	25.00	0.00	25.00		Planning
1-CORFF-09/2015hyff	Exemptions from the corporate training arrangements	15.00	0.00	15.00		Planning
1-CORFF-09/2015ol	The Succession Plan and Workforce Planning	15.00	0.00	15.00		Planning
1-CORFF-11/2015	Protection Arrangements	20.00	0.00	20.00		Planning
1-CORFF-12/2015	Disclosure Arrangements - Awareness of the Whistleblowing Policy	15.00	0.00	15.00	0.34	Planning
1-CORFF-14/2015cof	Staff Protection Register	10.00	0.00	10.00	2.23	Field Work Started
1-CORFF-14/2015unig	Health and Safety - Lone Working	10.00	0.00	10.00		Planning
1-CORFF-18/2015	Review of State Aid	6.00	0.00	6.00		Planning
1-CPGV-01/2015a	Protocol for Member-Officer Relations	10.00	0.00	10.00	2.43	Field Work Started
1-CPGV-01/2015ags	Contribution to preparation of the Annual Governance Statements	5.00	0.00	5.00	4.34	Draft Report Issued
1-CPGV-01/2015f	Corporate Governance - Implementing Committee Decisions	15.00	0.00	15.00		Planning
1-CPGV-02/2015	Proactive Anti-Fraud and Anti-Corruption Work	40.00	0.00	40.00	3.42	Planning
2ADN-ADY-SAL/2015	Sickness Arrangements - Referrals to Occupational Health	20.00	0.00	20.00	8.08	Field Work Started
AO-ARL-05/2015	NFI (National Fraud Initiative)	30.00	0.00	30.00	8.86	Field Work Started
BB-YSG-10/2015	Officers Gifts and Hospitality	20.00	0.00	20.00	12.07	Manager Review
Emergency Planning						
BC-PER-01/2015tyw	Inclement Weather Plan	10.00	0.00	10.00	9.73	Field Work Started
EDUCATION						
Resources						
4-DAT-X-ADD/2015gad	Pupil Deprivation Grant	8.00	0.00	8.00		Planning
4-DAT-X-ADD/2015ol16	Post-16 Provision in Schools Grant	15.00	0.00	15.00		Planning
4-DAT-X-ADD/2015syl	Foundation Stage Revenue Grant	8.00	0.00	8.00	0.88	Planning
EADDA02/2015	ICT in Secondary Schools	20.00	0.00	20.00	0.88	Planning

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
EADDA03/2015	Communication with Schools	10.00	0.00	10.00		Planning
EADDY-01/2015	Special Educational Needs Joint Committee	20.00	0.00	20.00		Planning
Across the department						
EADDA06/2015hlon	New Hafod Lon School	15.00	0.00	15.00		Planning
Catering						
M-GMG-A04/2015	School Catering	20.00	0.00	20.00		Planning
GwE						
4-GWE/2015	GwE	20.00	0.00	20.00		Planning
Schools						
EADDAYC/2015a	Primary Schools - Workforce Modelling	20.00	0.00	20.00		Planning
EADDAYC/2015c	Secondary Schools - Governance	20.00	0.00	20.00	19.43	Draft Report Issued
FINANCE						
Audit and Risk						
AM-YS-03/2015	Risk Management Arrangements	20.00	0.00	20.00		Planning
Financial						
AD-DY-01/2015kc	Debtors System - Review of Key Controls	8.00	0.00	8.00	11.51	Field Work Started
AE-TAL-01/2015kc	Payments System - Review of Key Controls	12.00	0.00	12.00	1.61	Planning
AE-TAL-01/2015kcx	Payments System - Closure 2013-14	5.00	0.00	5.00	1.00	Planning
Investment and Treasury Management						
AN-ACY-05/2015	Treasury Management	20.00	0.00	20.00		Planning
Accountancy						
AN-ACY-01/2015	CHAPS Payments	10.00	0.00	10.00	2.14	WP Created
AN-ACY-02/2015kc	Main Accounting System - Review of Key Controls	10.00	0.00	10.00	12.99	Manager Review
AN-ACY-13/2015kc	Bank Reconciliation - Review of Key Controls	10.00	0.00	10.00	0.41	Planning
AN-ACY-13/2015kcx	Bank Reconciliation - Closure 2013-14	5.00	0.00	5.00	0.68	Field Work Started
Pensions and Payroll						
AL-CYF-01/2015kc	Payroll System - Review of Key Controls	15.00	0.00	15.00	0.27	Planning
AL-CYF-01/2015kcx	Payroll System - Closure 2013-14	5.00	0.00	5.00	0.78	Planning
AL-CYF-01/2015mj	Payroll - Multiple Jobs	25.00	0.00	25.00		Planning

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
AP-PEN-01/2015kc	Gwynedd Pension Fund - Review of Key Controls	12.00	0.00	12.00	0.41	Planning
AP-PEN-01/2015kcx	Gwynedd Pension Fund - Closure 2013-14	5.00	0.00	5.00	1.26	Planning
Revenue						
AB-BD-01/2015kc	Benefits System - Review of Key Controls	15.00	0.00	15.00	0.27	Planning
AB-BD-01/2015kcx	Benefits System - Closure 2013-14	5.00	0.00	5.00	4.91	Final Report Issued
AC-TR-01/2015ipo	Council Tax System - iPortal	10.00	0.00	10.00	1.16	Planning
AC-TR-01/2015kc	Council Tax System - Review of Key Controls	8.00	0.00	8.00	0.72	Planning
AC-TR-01/2015kcx	Council Tax System - Closure 2013-14	5.00	0.00	5.00	4.88	Final Report Issued
AC-TR-11/2015kc	NNDR System - Review of Key Controls	8.00	0.00	8.00	0.30	Planning
AC-TR-11/2015kcx	NNDR System - Closure 2013-14	2.00	0.00	2.00	2.18	Final Report Issued
Information Technology						
AW-TG-08/2015	IT - Backups and Service Continuity	10.00	0.00	10.00		Planning
AW-TG-09/2015	Network Convergence	20.00	0.00	20.00		Planning
AW-TG-12/2015	IT Systems	20.00	0.00	20.00		Planning
ECONOMY AND COMMUNITY						
Community Regeneration						
BE-POL-10/2015pot	Potential Scheme	25.00	0.00	25.00		Planning
T-TAI-C04/2015	Communities First - The New Scheme	20.00	0.00	20.00	25.74	Manager Review
Record offices, museums and the arts						
EDIW-MU-03/2015	Gwynedd Museum and Gallery	15.00	0.00	15.00		Planning
Leisure						
E-DGO-01/2015	Leisure Centres	30.00	0.00	30.00	20.57	Field Work Started
Maritime and country parks						
EHAMM-01/2015	Yr Hafan, Pwllheli	10.00	0.00	10.00		Planning
EHAMT-01/2015	Beaches	10.00	0.00	10.00		Planning
Major Projects						
DDAT-AH-01/2015	Sailing Academy	15.00	0.00	15.00		Planning
Strategy and development Programmes						
4-DAT-X-GRANT/2015h	Youth Service - Training Grant	8.00	0.00	8.00	1.95	Field Work Started
4-DAT-X-GRANT/2015r	Youth Service - Revenue Grant	8.00	0.00	8.00	1.87	Field Work Started

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
Tourism, marketing and customer care						
DDAT-BS-02/2015	Industrial and Technology Units	20.00	0.00	20.00	1.02	Planning
ADULTS, HEALTH AND WELLBEING						
Across the department						
GCC-05/2015	Collaboration with the Health Board	30.00	0.00	30.00		Planning
GTG-SYS01/2015	Social Services Information System	20.00	0.00	20.00		Planning
Supporting People						
GDAPR-SP01/2015	Supporting People	15.00	0.00	15.00	0.34	Planning
Customer Contact						
BD-PW-02/2015	Galw Gwynedd	20.00	0.00	20.00		Planning
Homelessness and Supported Housing						
T-TAI-D01/2015	Homelessness	25.00	0.00	25.00	19.73	Manager Review
T-TAI-G11/2015	Extra Care Housing	10.00	-10.00	0.00	4.66	Cancelled
Adults						
GGWAS-C01/2015	Independent Living Fund	15.00	0.00	15.00	2.13	Planning
GGWAS-H07/2015tel	Telecare	20.00	0.00	20.00		Planning
Residential and Day						
5-GOF-CART/2015c	Shift arrangements at Residential Homes	10.00	0.00	10.00		Planning
5-GOF-CART1333/2015	Plas Maesincla, Caernarfon	12.00	0.00	12.00	13.54	Final Report Issued
5-GOF-CART1339/2015	Plas Ogwen, Bethesda	12.00	0.00	12.00	15.41	Final Report Issued
GDAPR-H01/2015	Personal Monies of Home Residents	25.00	0.00	25.00		Planning
CHILDREN AND FAMILY SUPPORT						
Children and Families						
5-GOF-X-PL/2015ddg	Flying Start Revenue grant	10.00	0.00	10.00		Planning
5-GOF-X-PL/2015tay	Out of School Childcare Grant	8.00	0.00	8.00		Planning
BE-POL-11/2015tyg	Families First Grant	10.00	0.00	10.00	7.26	Field Work Started
GGWAS-P06/2015	Children's Services - Commissioning of Care	16.00	0.00	16.00		Planning
GGWAS-PLANT8/2015	Looked After Children - Education and Health Assessments	15.00	0.00	15.00		Planning
HIGHWAYS AND MUNICIPAL						

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
Fleet						
PGW-TR-02/2015	Depots and Workshops - Stock Control	10.00	0.00	10.00		Planning
PPR-GW03/2015	Fleet Management	20.00	0.00	20.00		Planning
Municipal Works						
M-GMG-C01/2015	Playgrounds	15.00	0.00	15.00	8.56	Final Report Issued
Waste Management and Streetsecene						
PBW-03/2015cyt	Waste Disposal Contracts	15.00	0.00	15.00	15.84	Final Report Issued
PBW-03/2015gr	Sustainable Waste Management Grant	25.00	-15.00	10.00	3.63	Field Work Started
PBW-10/2015saf	Safety at Recycling Centres	20.00	0.00	20.00		Planning
REGULATORY						
Environment						
3-AMG-GWLAD/2015llw	Public Footpaths and Recreational Routes	15.00	0.00	15.00	14.89	Final Report Issued
Planning						
BE-POL-19/2015	Joint Planning Policy Committee	10.00	0.00	10.00	3.38	WP Created
DCYN-RD-01/2015pen	Planning Service - time taken to make decisions	10.00	0.00	10.00	3.03	WP Created
Public Protection						
2ADN-GGYC-GYC/2015bw	Food Hygiene, Health and Safety Inspection Programmes	0.00	25.00	25.00	3.24	Planning
Transportation and Street Care						
3-AMG-FFYRDD/2015	Traffic Orders	20.00	0.00	20.00	8.97	Field Work Started
3-PROJ-TRAF/2015briw	Briwet Bridge	15.00	0.00	15.00	1.61	Planning
DDAT-CC-01/2015	Integrated Transport Unit	25.00	0.00	25.00		Planning
PPE-P-01/2015	Parking Enforcement	20.00	0.00	20.00	0.71	Planning
PPR-RS-03/2015	Collaboration - Road Safety Partnership	10.00	0.00	10.00	0.31	Planning
STRATEGIC AND IMPROVEMENT						
Procurement and Efficiency						
BE-POL-08/2015	Procurement Strategy	40.00	0.00	40.00		Planning
GWYNEDD CONSULTANCY						
Buildings and Environmental						
PYM01/2015	Follow-up to Reviews on Gwynedd Consultancy	30.00	0.00	30.00	10.58	Field Work Started

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
Engineering and Building Control						
3-YMG-CTRTR/2015rr	Gwynedd Consultancy Projects Risk Registers	10.00	0.00	10.00		Planning