



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

AUDIT AND GOVERNANCE COMMITTEE

Date and Time

10.00 am, THURSDAY, 28TH JUNE, 2018

Location

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

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(DISTRIBUTED 20/06/18)

AUDIT AND GOVERNANCE COMMITTEE

MEMBERSHIP (19)

Plaid Cymru (10)

Councillors

Aled Ll. Evans
Huw Gruffydd Wyn Jones
Paul John Rowlinson
Vacant Seat

Aled Wyn Jones
Berwyn Parry Jones
Cemlyn Rees Williams

Charles Wyn Jones
Peter Read
Gethin Glyn Williams

Independent (5)

Councillors

John Brynmor Hughes
Dewi Wyn Roberts
Angela Russell

Richard Medwyn Hughes
John Pughe Roberts

Llais Gwynedd (1)

Councillor
Alwyn Gruffydd

Lib / Lab (1)

Councillor
Sion W. Jones

Gwynedd United Independents (1)

Vacant Seat

Lay Member

Mrs Sharon Warnes

Ex-officio Members

Chair and Vice-Chair of the Council

A G E N D A

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT ITEMS

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

4. MINUTES

5 - 11

The Chairman shall propose that the minutes of the meeting of this committee, held on 10 May 2018, be signed as a true record.

5. LOCAL CONDITIONS OF SERVICE

12 - 14

To submit the report of the Head of Corporate Support.

6. RECOMMENDATIONS AND PROPOSALS FOR IMPROVEMENT OF EXTERNAL AUDIT REPORTS

15 - 35

To submit the report of the Head of Corporate Support.

7. FINAL ACCOUNTS 2017/18 – REVENUE OUTTURN

36 - 59

To submit the report of the Head of Finance.

8. CAPITAL PROGRAMME 2017/18 - END OF YEAR REVIEW

60 - 67

To submit the report of the Head of Finance.

9. 2017/18 SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVING SCHEMES

68 - 79

To submit the report of the Head of Finance.

10. STATEMENT OF ACCOUNTS 2017/18

80 - 159

To submit, for information, the statutory financial declarations (subject to audit) for 2017/18.

11. GWYNEDD COUNCIL ANNUAL GOVERNANCE STATEMENT 2017/18

160 - 184

To submit the report of the Senior Manager Revenues and Risk.

12. GWYNEDD HARBOURS FINAL ACCOUNTS 2017/18

185 - 195

To submit the report of the Senior Finance Manager.

AUDIT AND GOVERNANCE COMMITTEE 10/5/18

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

Councillors: Aled Ll. Evans, Alwyn Gruffydd, Aled Wyn Jones, Berwyn Parry Jones, Charles Wyn Jones, Huw G. Wyn Jones, Sion Wyn Jones, Dewi Wyn Roberts, Paul Rowlinson, Angela Russell and Cemlyn Williams.

Lay Member: Sharon Warnes

Others invited: Peredur Jenkins (Cabinet Member for Finance)

Also in Attendance: Dafydd Edwards (Head of Finance Department), Dewi Morgan (Senior Revenue and Risk Manager), Luned Fôn Jones (Audit Manager), Ian Howse (Financial Audit Engagement Leader, Deloitte - for Item 7 on the agenda), Alan Hughes (Performance Audit Leader, Wales Audit Office - for Item 7 on the agenda) and Bethan Adams (Member Support Officer).

Apologies: Councillors Peter Read, John Pughe Roberts and Gethin Glyn Williams.

1. CHAIR

RESOLVED to re-elect Councillor R. Medwyn Hughes as Chair of the Committee for 2018/19.

2. VICE-CHAIR

RESOLVED to re-elect Councillor John Brynmor Hughes as Vice-chair of the Committee for 2018/19.

3. DECLARATION OF PERSONAL INTEREST

Councillor John Brynmor Hughes declared a personal interest in item 8 on the agenda, (Internal Audit Output 29/1/18-31/3/18 - Appendix 4 – Food Hygiene) as he was a public house and restaurant owner.

Councillor Berwyn Parry Jones declared a personal interest in item 8 on the agenda, (Internal Audit Output 29/1/18-31/3/18 - Appendix 11 - Victoria Dock) as his wife worked for Caernarfon Harbour Trust.

The members were not of the opinion that they were prejudicial interests, and they did not withdraw from the meeting during the discussion on the item.

4. URGENT ITEM

The Chair reported that he had received a request from two Committee members to discuss the letter sent to Council staff informing them of the Council Cabinet's decision on 13 March 2018 to adopt changes to Council employment conditions as an urgent item. He informed the Committee that he had received guidance from the Monitoring Officer that there was a need for proper preparations before it was submitted for discussion by the Committee. He noted that a report regarding the matter would be submitted to the Committee either at its meeting on 28 June or 19 July.

5. MINUTES

The Chair signed the minutes of the meeting of this Committee held on 8 February 2018, as a true record subject to amending the second bullet point on page 5 under the item 'Capital Programme 2017/18 – Third Quarter Review' to read as follows:

"Discussions had been held with the Education Department and the Environment Department in terms of alternative solutions rather than using taxis to transport pupils to schools. As the overspend was unavoidable, *mainly as pupils were transported to Ysgol Hafod Lon*, bridging finance would be transferred to the Education Department at the end of the financial year."

6. EXTERNAL AUDIT PLAN

(a) GWYNEDD COUNCIL

Submitted - a report by the Financial Audit Manager (Deloitte) and the Performance Audit Leader (Wales Audit Office).

Members were guided through the report, which detailed the WAO's audit arrangements for 2018. The main financial audit risks and the work in relation to GwE's grant income and expenditure were highlighted. Attention was drawn to the performance audits carried out at a national level, and those that were specific to Gwynedd. It was noted that fees for audit work continued to be the same as the previous two years, but a reduction of approximately 25% was likely on the fee to undertake certification work on the Council's grant claims and forms as there was an expectation that Welsh Government would simplify their assurance arrangements by introducing a 'Summary Schedule of Certified Welsh Government Grants' to every authority.

The Head of the Finance Department expressed his gratitude for the plan and the beneficial and professional dialogue that had been held with Deloitte officers. He informed the Committee that Paul Goodlad was retiring and that Alan Hughes had been promoted to Performance Audit Leader WAO. He was congratulated on his appointment.

In response to a question by a member regarding audits under the Future Generations Well-being (Wales) Act 2015, the Performance Audit Leader (Welsh Audit Office) noted that authorities were finding their feet in terms of operating in accordance with the Act. It was explained that a piece of work had already been undertaken with authorities in terms of the initial steps taken and that another two work packages to examine how authorities operated in accordance with the Act were in the pipeline. He noted that the Wales Audit Office was holding regional meetings/events in order to share good practice.

The Head of Finance Department noted that there was a need to tie-in the Well-being Act with Council proceedings. He reminded members that the report submitted to the Committee on 8 February 2018, regarding the 2018/19 Budget and 2018/19 - 2020/21 Financial Strategy, included an explanation of how the budget addressed the aim and objectives of the Well-being Act.

(b) GWYNEDD PENSION FUND

Submitted - a report by the Financial Audit Manager (Deloitte). He provided details on the content of the report which noted the external auditor's audit plan with regards to the Gwynedd Pension Fund, and he highlighted the main financial audit risks. He noted that a specialist team had drawn up the plan and were undertaking the audit which strengthened the audit work undertaken by Deloitte. He confirmed that the fee for this work continued to be the same as the previous year.

The Head of Finance Department welcomed the plan and noted that it was not a particular plan for Gwynedd and that it was a standard audit plan for pension funds.

RESOLVED to accept the reports.

7. OUTPUT OF THE INTERNAL AUDIT SECTION 29/1/18 – 31/3/18

Submitted - the report of the Audit Manager outlining the Internal Audit section's work for the period. It was noted that 16 reports on audits from the action plan had been completed.

A member stated his disappointment that so many reports highlighted weaknesses in controls, with debts in terms of Council smallholdings, income in some pay and display car park machines did not match, a sample of staff highlighting that only half of them had received checks on their qualifications and a lack of medication monitoring in residential homes with improperly qualified staff. He noted that the Committee needed to address these matters.

Each individual report was considered and, during the discussion, reference was made to the following matters –

Staff Development Module (MoDS)

A member referred to the fact that approximately £90,000 excluding VAT had been paid to an external IT consultant to undertake work and collect information and details because of a lack of clear and definite brief of the needs and direction of the project rather than focusing on technical elements. He noted that it was a waste of money before commencing the work.

Obtaining references, proof of identity and evidence of qualifications

A member noted that checking this information was fundamental and expressed his disappointment about the shortcoming.

School Meals Income

A member enquired when all schools would be on the system and when it was anticipated that an official opinion on the audit could be provided. In response, the Head of Finance Department noted that the on-line payment system was developing and improving. The Audit Manager reiterated the observation noting that it was premature to provide an official opinion as the system was not fully operational at the time of the audit. She confirmed that there was an intention to undertake a follow-up audit in October or November 2018, to give schools a chance to use the on-line payment system. She noted that the follow-up audit would be reported upon to the Committee.

Food Hygiene

A member noted that the Communities Scrutiny Committee had considered the Food Standards Agency's detailed audit on the Council's food hygiene arrangements, where weaknesses had been identified in the Council's administrative arrangements. As the matter was a high risk for the Council, the member enquired why the audit had received opinion category B instead of C.

In response, the Audit Manager noted that the basis of the opinion category was a matter for the auditor. She explained that the Internal Audit Service had quality assurance arrangements and that the Team Leader and that she, as the Audit Manager, examined the reports. She noted that there was an intention to submit a report to the Committee soon in terms of tying-in risk scoring with noting an opinion category.

In response to a further observation by a member, the Head of Finance Department drew attention to the fact that the definition of opinion categories B and C had been noted in the annual report of the Head of Internal Audit. He noted that the Audit Manager was acting independently when reaching her opinion, and that he supported this independent professional opinion. He noted that the Committee could either call-in the audit to the Controls Improvement Working Group or send a message to the Environment Department noting that the audit would not be called-in but that the Committee expected an improvement.

Smallholdings

A member noted that she had not witnessed any report receiving opinion category CH since she had been a member of the Committee.

Bearing in mind that the Property Unit had undertaken a systems thinking review, a member noted that the report highlighted that officers needed to be reminded of procedures. He emphasised that it was unacceptable that a lack of controls had led to a financial loss of £38,000 in terms of rent collection.

It was noted that the Committee was unhappy with the situation with regards to this matter.

School Building Projects - Ysgol Glancegin

A member noted that the report highlighted a major weakness in controls as only the Property Development Manager had signed the final scoring document in relation to the tender. In response to the observation, the Audit Manager noted that all individuals who were part of the process were expected to sign the documents. As part of a follow-up audit to an audit that was undertaken in July 2016, evidence was seen that the correct procedure was now being implemented.

Although the report had received opinion category B, a member noted that the Council had incurred costs as a result of modifying the plan and undertaking additional work as some elements of the original plans and the architect's design did not meet health and safety requirements, therefore, the matter should be referred to the Working Group.

Car Park Income

Although the report had received opinion category B, a member noted that consideration should be given to call it into the Working Group as matters raised a concern.

In response to members' observations regarding a failure to identify inconsistencies, the Audit Manager noted that changing the collection company had created difficulties and numerous discussions had been held with the company in terms of report details to meet the needs of the Environment Finance Unit. Following a specific request to the company, she confirmed that they now provided reports to meet their needs.

In response to a member's observation, the Audit Manager noted that the Parking Unit in the Environment Department was responsible for pay and display machines; however, the Environment Finance Unit had drawn the attention of Internal Audit to the matter as they had identified weaknesses when preparing financial management reports. She explained that the Environment Finance Unit had made a request to Internal Audit to examine car park income in order to identify weaknesses and note fields for improvement.

A member referred to missed collections and noted that there was a need to ensure that machines were regularly emptied due to the risk for the Council.

A member enquired whether or not pay and display machines that accepted card payments would improve the situation. In response, the Head of Finance Department noted that a project investigating mobile phone or on-line payments was ongoing. He explained that on-line card payments were directly processed and that electronic payments could be more efficient.

Although the report had received opinion category B and that changes had been made leading to an improved situation, a member noted that consideration should be given to not calling it in to the Working Group and to keep an eye on how things developed. A member noted that the Committee's concern about the situation should be noted to the Environment Department.

In response to a question by a member, the Audit Manager confirmed that follow-up work would be undertaken on agreed steps in accordance with Internal Audit work arrangements.

Storiell - Caf  management arrangements

In response to a member's observation, the Audit Manager noted that a request had been received to assist the Economy and Community Department after management of the café was internalised. She noted that goods procurement arrangements had been confirmed, necessary changes to staff job descriptions had been highlighted and implemented, and training had been identified for café staff.

Victoria Dock

A member enquired about the differences in the Council and Caernarfon Harbour Trust fees. In response, the Audit Manager explained that the Council determined the fees and that the Trust implemented them. She confirmed that correct fees were now charged.

A member highlighted that an audit undertaken in 2007 on Victoria Dock had drawn attention to the need for the Trust to inform HMRC with regards to paying the cleaner with cash. In response, the Audit Manager noted that the Trust was responsible for informing HMRC; paying the cleaner with cash was appropriate but the Trust had a duty to inform HMRC of the arrangements.

In response to a question by a member regarding the risk to the Council that the Trust had not informed HMRC of the arrangement with the cleaner, the Head of Finance Department confirmed that it was the employer's responsibility to inform HMRC of the arrangement.

Telecare

A member expressed concern regarding DBS checks shortcomings given the groups of people that were dealt with through this work. In response, following the publication of the report, the Audit Manager noted that matters regarding DBS checks had now been resolved. She explained that there had been a slight complication as some staff had transferred on TUPE terms to Council employment. She confirmed that DBS checks had been completed or were in the process of being completed.

Supported Housing

A member noted that the same matters were regularly highlighted in audits for residential homes. She noted that it was essential that controls regarding medication were implemented.

A member noted his astonishment regarding shortcomings with fire alarm tests. A member stated that shortcomings in basic health and safety controls were highlighted in the audit and it needed to be ensured that controls were implemented.

In response to the above observations, the Audit Manager noted that the same matters were regularly highlighted in such audits and that she was disappointed that lessons had not been learnt. She reminded members that the Head of Adults, Health and Well-being Department had attended a meeting of the Controls Improvement Working Group on 23 October 2017 to discuss themes regularly highlighted from audits on Residential Homes.

In response to a member's question, the Audit Manager explained that responsibility for management of the houses was different due to their location.

A member enquired whether the Care and Social Services Inspectorate for Wales (CSSIW) had undertaken an audit of the houses and whether or not they had identified the same shortcomings. In response, the Audit Manager noted that CSSIW undertook audits on residential homes, when an audit was undertaken Internal Audit would address CSSIW recommendations and consider progress against the recommendations. She further explained that CSSIW hold discussions with individual residents about their care whilst Internal Audit gave consideration to administrative records.

A member noted that the Council had a responsibility to ensure that support workers had received proper training with a risk for the Council should a problem arise. He added that it was important that the Committee received confirmation that it had been implemented in accordance with agreed steps.

In response to a member's observation regarding the same matters being identified across services in the Adults, Health and Well-being Department, the Audit Manager noted that the Head of Adults, Health and Well-being Department had noted at the Working Group meeting that one of the problems, especially in some areas in Dwyfor and Meirionnydd, were recruitment issues as there was a failure to attract individuals to posts due to the low salary level in addition to problems retaining individuals in posts. She added that there were new arrangements in terms of workers in residential homes and they were now required to qualify to a specific level.

Y Frondeg

Although no opinion category had been noted for the audit as it was premature to provide an official opinion, a member noted that a number of issues arose.

A member noted that attention should be given to the report at the meeting of the Working Group.

A discussion was held regarding the practicality of holding a meeting of the Working Group with a large number of reports to consider.

RESOLVED:

- (i) to accept the report on the work of Internal Audit for the period 29 January 2018 to 31 March 2018 and to support the agreed actions that have already been submitted to the managers of the relevant services;**
- (ii) to hold two meetings of the Controls Improvement Working Group to consider the audits that have received opinion category 'C' and 'CH' as well as the 'School building projects - Ysgol Glancegin' and 'Y Frondeg' audits; and in accordance with the Committee's decision on 8 February 2018, to invite the Chair of the Safeguarding Children and Vulnerable Adults Operational Panel to attend a meeting of the Working Group to provide details on the work programme;**
- (iii) that the Audit Manager and the Member Support Officer divide the Committee membership in order to serve meetings of the Working Group;**
- (iv) to send a message to the Environment Department noting that 'Food Hygiene' and 'Car Park Income' audits were not being called-in to the Working Group, but that the Committee was expecting an improvement.**

8. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2017/18

Submitted - the report of the Audit Manager. On the basis of the work of Internal Audit that was completed in 2017/18, the officer was satisfied that Gwynedd Council had a sound framework of internal control.

It was reported that all audits (58 audits) in the final amended internal audit plan had been completed by 31 March 2018, which corresponded to 100% of the plan, against a performance target of 95% for 2017/18.

It was noted that acceptable action had been taken on 200 out of 222 agreed actions by 31 March 2018, namely 90.09% of actions against a performance target of 85%.

Reference was made to Appendix 4 of the report which noted progress against the Quality Assurance and Improvement Programme in terms of compliance with Public Sector Internal

Audit Standards (PSIAS). It was noted that an external assessment of Gwynedd Council's Internal Audit Service would be undertaken by Carmarthenshire County Council's chief audit executive and that the results of the external assessment would be submitted to the Committee.

In response to an enquiry by a member about using traffic light colours for performance to show an improvement in the annual report, the Audit Manager stated that performance measures were corporate measures and that they did not reflect the work of Internal Audit. She explained that performance in terms of measuring the performance of 'Percentage of audits in the audit plan that are ready to be presented to the Audit and Governance Committee because they have either been closed or the final report has been issued' had a consistent target of 95%.

In response to an observation by a member regarding the time breakdown of Internal Audit during 2017/18, the Senior Revenue and Risk Manager explained that all available days for Internal Audit with seven full time staff members had been noted in the breakdown. Unproductive time such as annual leave and information technology difficulties had been removed, thus noting the total productive days for Internal Audit during 2017/18.

A member enquired about Internal Audit's staffing situation. In response, the Audit Manager confirmed that Internal Audit staffing capacity was full. She explained that one of the reasons why the unit's productive days were lower was due to three officers following a professional course. She noted that training was important and that it would benefit the unit in terms of delivering the work. She informed the Committee that one officer had been nominated as apprentice of the year which was beneficial for the Internal Audit Service, the Finance Department and the Council.

The Head of the Finance Department expressed his gratitude to the Audit Manager for the report, and reiterated her viewpoint that staff training was important. As the three officers were training at the same time, he added that the Department would consider adding a temporary officer to Internal Audit Service staff.

The Chair expressed the Committee's gratitude to the Audit Manager for her work and Committee members' best wishes were sent to her father, Councillor Eric M Jones, following his recent illness.

RESOLVED to accept the report as the formal annual report of the Head of Internal Audit in accordance with the requirements of the Public Sector Internal Audit Standards for the 2017/18 financial year.

The meeting commenced at 10.05am and concluded at 11.45am

CHAIR

Agenda Item 5

MEETING	Audit and Governance Committee
DATE	28 June 2018
TITLE	Local Conditions of Service
PURPOSE	Response to an Enquiry from Councillors Angela Russell and John Brynmor Hughes
AUTHOR	Geraint Owen – Head of Corporate Support

BACKGROUND

A letter dated 8th May 2018 was submitted to the Chair of the Audit and Governance Committee by Councillor Angela Russell and Councillor John Brynmor Hughes (see letter appended).

The letter asks to discuss the letter sent to staff on the 26th March which gave notice of changes to the local conditions of service as from the 1st July this year.

The following responses are made to the concerns noted by the two Councillors:

1. Following the Cabinet's resolution on the 13th March this year to approve the package of changes to the local conditions of service, a letter was composed in order to confirm that decision and to provide twelve weeks' full notice to all relevant staff members.

The Human Resources Team consulted with the Legal Service on the letter's content. Confirmation was received, following minor alterations, that the content was factually correct.

The letter was sent to staff on Monday, 26th March, in my name, as Head of the Department which has responsibility for acting upon the said resolution. Since this was an operational matter, the Cabinet Member was not involved in composing the letter but a copy was provided for information purposes after the letter had been sent to staff.

The subsequent letter on the 3rd April was sent and it apologised for the tone of the original letter and the choice of words used. It is accepted that the wording of the original letter was heavy-handed and that the information could have been better communicated. This experience has highlighted, more than ever before, the need to look at the wording and the relaying of information through the eyes of all those who receive that information. In this respect, an important lesson has been learnt.

2. The cost of sending the letter of apology via post was £1,938. It should be noted that the letter was sent by e-mail to all those members of staff who have a Council e-mail address and in paper form to workplaces for distribution to a number of other staff.

There were no other financial costs emanating from the preparation of the letter of apology.

It can be added that employer and union representatives have re-engaged on six occasions since the release of the notice to change the local conditions of service and that this has been possible because of the fact that UNISON has now committed to take a full part in any discussions with the Council.

It is important to note, throughout this episode, that the local working relationship between the unions and the Human Resources officers has been good and this is reflected in the constructive discussions which have been conducted over the past few weeks.

It is the intention of the three recognised unions, namely UNISON, GMB and UNITE to hold a ballot amongst their members on additions to the package which was approved by the Cabinet. These additions include a number of commitments by both the Council and the unions for the future.

It is emphasised that this does not have an effect on the changes to the local conditions of service which are to be introduced on the 1st July, in accordance with the decision made by the Cabinet on the 13th March and the information presented to the Chief Officers' Appointments Committee on the 14th February and to full Council on the 8th March, 2018.

8th May 2018

Local Conditions of Service letter sent to staff dated 26 March 2018

Dear Chair

I write to bring your attention to our concerns relating to the letter sent to staff informing them of the Cabinet's decision on the 13th March to adopt the amendments to the conditions of service. The letter's author is Mr Geraint Owen, Head of the Corporate Support Department. I respectfully ask to discuss this letter as an agenda item at the next Audit Committee as a matter of urgency. Our main concerns are as follows

1. To receive confirmation of the protocol involved in sending such a letter to nearly every member of staff, for example, did the letter go through the Cabinet Member and/or the Monitoring Officer since the letter is a legal one.
2. What was the financial effect on the Council i.e. the cost of preparing a second letter and communication with all members of staff in an attempt to undo the ill feeling and concern amongst staff following the sending of the original?

Yours faithfully

John Brynmor Hughes, Councillor for Llanengan
Angela Russell, Councillor for Llanbedrog

MEETING	AUDIT AND GOVERNANCE COMMITTEE
DATE	28 June 2018
TITLE	Recommendations and Improvement Proposals of External Audit Reports
PURPOSE	Ensure that the Audit Committee satisfies itself that the action steps created in response to the recommendations of the external audit reports are implemented.
AUTHOR	Geraint Owen, Head of Corporate Support Department
CABINET MEMBER	Councillor Nia Jeffreys

1 The decision sought/purpose of the report

- 1.1 The Committee will need to satisfy itself that appropriate arrangements are in place in order to ensure that improvement proposals that arise from external audit reports are implemented.

2 Introduction

- 2.1 The Audit and Governance Committee is responsible for considering external audit reports (national, and local to Gwynedd), the recommendations they contain, and the implications of these to governance, managing risk or management.

- 2.2 The role of the Audit and Governance Committee in this matter is to satisfy itself that arrangements and processes are underway to ensure that these improvement proposals are implemented, and the Committee should not duplicate an investigation into matters that are within the remit of one of the other scrutiny committees. However, if the Committee is not of the opinion that the arrangements - including the action of any of the Scrutiny Committees - are adequate, it may call any matter in for further consideration, either to the full committee or to the Controls Improvement Working Group.

3 Relevant Considerations

- 3.1.0 A chronological list of the inspections undertaken by external auditors between 2012/13 and 2017/18 is presented in **Appendix 1** together with their improvement proposals.

We have noted 'Progress against improvement proposals' focussing on what has been achieved since the Committee last discussed this matter in November 2017.

We then note our 'Conclusion' of the progress made - have sufficient steps been taken to satisfy the Committee that the work of realising the recommendation is 'completed', or is it still 'on-going'. It is a matter for this Committee to determine whether or not it agrees with the 'Conclusions'.

3.1.1 Since the Committee discussed this matter in November 2017, one national report has been published by the Wales Audit Office in May, namely 'Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities'. As we as a Council have not yet fully considered this report, it is premature to note recommendations and any responses to them as part of this report.

3.1.2 In accordance with the wish of the Committee at its meeting on 1 December 2016, all of the improvement proposals noted in Appendix 1 are those deemed 'not commenced', 'plan in progress' or 'on-going' by the Committee when the matter was last discussed in November 2017. Occasionally, more recommendations may initially arise from these audit reports, but this committee has already determined that it is satisfied that adequate arrangements are in place to respond to them. To prevent duplication, the recommendations that have been responded to have not been noted in Appendix 1.

4 Reasons for Recommending the Decision

4.1 The Audit and Governance Committee needs to ensure correct governance within the Council by taking an overview of how we will respond to improvement proposals in external audit reports.

5 Next steps and timetable

5.1 The work of responding to the majority of the improvement proposals is continuous work. If the committee agrees with the findings regarding the progress made against the improvement proposals, the 'completed' ones will not be submitted to this Committee again. The ones that are 'underway' will return to this Committee for further consideration in approximately 6 months.

6 List of Appendices/Bibliography

Appendix 1 - Improvement Proposals in External Audit Reports 2013-2018

Improvement Proposals in External Audit Reports 2013-2018

1. **Good Scrutiny? Good Question** - National Report by the Wales Audit Office published May 2014

Improvement Proposals arising from the report –

1. Explain the roles of executive members and senior officers in contributing to the scrutiny process.
2. Ensure that scrutiny members, specifically scrutiny chairs, receive training and assistance in order to ensure that they possess all skills required to conduct effective scrutiny work.
3. Further develop scrutiny forward planning processes in order to:
 - Prepare a clear logic for selecting subjects
 - Focus more on outcomes
 - Ensure that the most suitable scrutiny method for the subject field and the desired outcome is used.
4. Reconcile scrutiny programmes and performance management, self-evaluation and Council improvement arrangements.
5. Ensure that the impact of scrutiny is appropriately appraised and that it is implemented in order to improve the function; including conducting follow-up work on proposed actions and auditing results.
6. Carry out regular self-evaluations of scrutiny arrangements by using the 'effective outcomes and features of effective overview and scrutiny arrangements for local government' developed by the Wales Scrutiny Officers Network.

Progress against improvement proposals

Following the publication of the above-mentioned report we commenced a comprehensive process of self-evaluating our scrutiny arrangements, and of learning from others. This work resulted in several models of new scrutiny structures for the Council to consider. The Council adopted the amended scrutiny arrangements at its meeting on 2 March 2017 and these came into force with the new Council in May.

Five meetings of the Scrutiny Forum have been held since the new procedure was adopted with the Scrutiny Forum exercising its main role of ensuring that the correct matters are scrutinised and investigated across the Council. Part of the Scrutiny Forum's annual work programme will include conducting a continuous self-review of scrutiny arrangements and the process of prioritising matters to be scrutinised. Since

May 2017, we have adopted a new system where two members from the scrutiny committees sit in on internal performance review meetings where the Cabinet Members challenge the performance of the service for which they are responsible. This has strengthened the relationship between the Cabinet and the Scrutiny Committees and has led to identifying matters to be included on the 'scrutiny investigation log' (which in turn could be matters being officially scrutinised). In addition, a joint meeting between Scrutiny Forum Members and Members of the Leadership Team was held in order to ensure a joint understanding of the role of scrutiny in Gwynedd. We have also held a series of training courses in February 2017 and again in September for members of all scrutiny committees (including the Audit and Governance Committee) on chairing skills and questioning skills in order to scrutinise effectively.

We are continuing to assess whether or not the new arrangements have managed to create a successful system for scrutinising decisions. The Wales Audit Office undertook a further review into the field of scrutiny in November/December 2017 and we are still awaiting its report. The findings of the report will feed into the continuous assessment of the new arrangements.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that each improvement proposal be noted as being "in progress".

2. Annual Performance Appraisal of the Care and Social Services Inspectorate for Wales (CSSIW) 2013/14 - Local report to Gwynedd published October 2014

Improvement Proposals arising from the report -

1. The national LAC review identified the need to develop opportunities for looked after children to use basic health services and moving on accommodation. As part of its corporate parenting responsibilities, the Council should ensure that it is possible for the children in its care to use basic health care.
The performance for registering with a GP within 10 days fell from 92.5% in 2012/13 to 78.4% in 2013/14. Although the percentage of the health assessments of looked after children has risen from 15% to 46%, it continues to be much lower than the average percentage for Wales, which stands at 81%.
2. The Council has reduced the number of looked after children from 203 in 2012/13 to 185 in 2013/14. It has secured substantial improvement in its performance in terms of the timeliness of conducting reviews of LAC care plans, with 94.3% being carried out within statutory time-scales, compared with 75.4%

in 2012/13. However, this remains below the average percentage in Wales (95.9%).

3. Quality assurance - Adults, Health and Well-being Department:

The Council's ability to provide detailed reports on performance has continued to improve. The risk assessment arrangements in the service have improved by regularly utilising a risk register and updating it. The Council has not established a corporate quality assurance system. It intends to do this in 2014-15. The need to improve quality assurance arrangements was highlighted by the CSSIW in its annual appraisal report last year. In addition, it is an area earmarked for improvement in the national reviews recently held and in the adoption inspection report. The Council will introduce a cross-cutting safeguarding children and adults quality assurance team.

4. Quality assurance - Children and Supporting Families Department:

The Council's ability to provide detailed reports on performance has continued to improve. The risk assessment arrangements in the service have improved by regularly utilising a risk register and updating it. The Council has not established a corporate quality assurance system. It intends to do this in 2014-15. The need to improve quality assurance arrangements was highlighted by the CSSIW in its annual appraisal report last year. In addition, it is an area earmarked for improvement in the national reviews recently held and in the adoption inspection report. The Council will introduce a cross-cutting safeguarding children and adults quality assurance team.

5. The Council has taken positive steps in terms of its corporate parent arrangements; however, these now need to be developed further. The corporate parenting panel will work with looked after children during 2014-15 to provide an outline of the action steps that the Council will take in order to assist looked after children. Members will need to provide more assistance to ensure effective ownership of the strategic aims and that they are translated into actions across the Council's services and partner agencies; and to ensure appropriate health care, greater educational assistance and temporary employment in the Council for looked after children.

Progress against improvement proposals

The Children and Supporting Families Department continues to give due attention to matters in improvement proposal 1 above. There has been an improvement in the number of health assessments being carried out in a timely manner for looked after children, with 65% undertaken on time. There is room for further improvement and the matter matter is being regularly addressed in discussions between the Local

Authority and the Health Board. The Corporate Parent Panel continues to monitor the situation closely and during the past year (17/18), it has set-up task groups that specifically examine multi-agency practice in the field of health and after-care support and supported accommodation for those leaving care. These groups are being led by Panel members and they report back to Panel on progress and on any matters that require further attention. During a full review of the children's service by CIW in May 2018, it was noted that the Panel's approach was robust and developmental and ensured that due attention was given to the needs of looked after children and young people.

As circumstances at the end of 2017/18 were considerably different from the situation in 2013/14, we are unsure whether or not the expectations described in improvement proposal number 2 remain relevant. An increase in the number of looked after children by Gwynedd Council corresponds to the national pattern. There were 222 looked after children at the end of May 2018. This leads to a higher number of reviews being undertaken. An application was submitted for additional resources to employ an Independent Reviewing Officer to respond to the increase; however, this was not successful. Despite this, performance in terms of the timeliness of statutory reviews for looked after children is good - 89% (end of year). We continue to monitor reasons for failure to adhere to the time-scale in some cases and these are regularly reported upon to the service's performance challenge arrangements.

In response to improvement proposal 3 above, a Safeguarding and Quality Assurance Unit has been set-up in the Adults, Health and Well-being Department. The Unit's work programme lays a foundation to collect information and data that will set the baseline for quality assurance and for being proactive in identifying potential problems early to facilitate preventative work. We continuously review and monitor the service.

The Department continues to strengthen its work in the field described in improvement proposal 4 above. The service has a comprehensive audit programme in place and has agreed on fields that will be addressed over the coming year. During a full review of the service by CIW in May 2018, it was reported that the programme was comprehensive but that partners should be included more in the process than previously, and this development is already being incorporated.

In response to improvement proposal 5 above, we can confirm that a Corporate Parent Strategy is in place and the Council, via Corporate Parent Panel arrangements, is taking action by means of five task groups which examine five main fields in order to improve the experiences of looked after children and young people.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that improvement proposals 1, 3, 4 and 5 be noted as "completed", and improvement proposal 2 as being "in progress".

3. Delivering with Less - the impact on environmental health services and citizens - National Report by the Wales Audit Office published October 2014

Improvement Proposals arising from the report -

1. Amend the best practice standards in order to:
 - reconcile work in the environmental health field,
 - note the more extensive contribution of environmental health towards achieving the strategic priorities of Welsh Government,
 - note the benefits and impacts of environmental health services in terms of safeguarding citizens.

2. Engage better with local residents regarding plans to cut budgets and change services by:
 - consulting with residents on the proposed changes in services and use the findings to drive decisions;
 - outline which services will be cut and how these cuts will affect residents, and
 - note plans to increase payments to change service standards.

3. Improve efficiency and value for money by:
 - Noting the statutory and non-statutory duties of Councils' environmental health services
 - Agreeing on environmental health priorities for the future and the role of councils when delivering these
 - Determining an 'acceptable standard of performance' for environmental health services (maximum and minimum) and publicise them amongst citizens
 - Improving efficiency and maintaining performance on the agreed level by doing the following
 - Collaborating and/or integrate with others in order to reduce costs and/or improve quality
 - Awarding services on external contracts where they can be provided in a more cost-effective way in accordance with the standards agreed upon
 - Introducing and/or increasing payments and focusing on activities that generate income
 - Using grants in a strategic way in order to ensure the greatest impact and profit
 - Reducing activities in order to focus on core statutory and strategic priorities.

4. Improve strategic planning work by:
- noting, gathering and analysing financial data, data on performance and data on demand/need in relation to environmental health services;
 - analysing the data gathered in order to drive and understand the relationship between 'cost:benefit:impact' and use this information as grounds to decisions on Councils' health services in the future;
 - agree how digital information can be used to plan and develop environmental health services in the future.

Progress against improvement proposals

In order to respond to improvement proposal 1 above, the Department notes that it aims to achieve the basic practice standards, although this is not easy due to financial constraints.

In order to respond to improvement proposal 2 above, the Department has already undertaken a review of the Service's structure in order to respond to the practical impact of losing two front-line jobs as part of the financial cutbacks. The review of fees undertaken in 2016/17 is now operational and we charge fees for services by regaining costs for offering advice. A further review of taxi licensing fees will happen in 2018/19. The Department will continue to investigate ways of working more efficiently, and of using staff resources flexibly across the Public Protection Unit.

For proposal 3, all relevant fees associated with the services offered are reviewed so that services can move towards recovering costs. Potential options of integrating or working more closely with other services within the Council have been considered to discover whether or not it would be possible to further increase efficiency and reduce costs. To this end, there has already been a reduction in non-statutory activity. The relevant policies are reviewed so that the public is clear in terms of what is expected as a service. The Department is also moving towards providing more information on-line and to increase the capacity of self service.

The Public Protection Unit is already looking into opportunities to work with other service units within the Environment Department, and across the Council. Opportunities to increase income, where it is statutory possible to do so, are being considered. A further review into the costs of processing licenses has also been held, with relevant fees being raised in order to regain costs for the service.

Local performance measures of the Environment Department are being reviewed to be certain of our ability to measure the demand for services effectively, and that the public receive a quality and timely service. The measures will be used to plan if there is a need to review how the service unit resources are divided.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that improvement proposals 1, 2, 3 and 4 are noted as "in progress".

4. Managing early retirements in various Welsh public bodies - National Report by the Wales Audit Office published February 2015

Improvement Proposals arising from the report -

1. Public bodies should monitor the expected and secured savings as a result of early retirements and they should provide a report on them as part of their internal governance arrangements. This will be of assistance when plans are made to reduce costs in the future.

Progress against improvement proposals

This Council keeps detailed records regarding decisions relating to early retirement, including the associated costs. This includes monitoring savings that derive from early retirements and the restructure that follows. This will continue when the Council acts on the need to realise further savings over the next three years.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that improvement proposal 1 be noted as "completed".

5. Annual Performance Appraisal of the Care and Social Services Inspectorate for Wales (CSSIW) 2014/15 - Local report to Gwynedd published October 2015

Improvement Proposals arising from the report -

1. Safeguarding is a priority for the Council, and it has put corporate arrangements into action to improve safeguarding practices. It now needs to put changes into action in its adults safeguarding processes.
During the year, 178 POVA referrals were received, six fewer than in the previous year. Of these referrals, 100% were completed with the risk being managed. The Council contributed towards a Review of Adult Services Practice, which noted that improvements were required in the Council's POVA practices. When operational, these would increase the involvement of care providers and make the investigation and its outcome clearer. Adult safeguarding will be a field where CSSIW will take follow-up steps in 2015-2016.
2. The Council has started to develop a mental health commissioning strategy, and mental health services will be a field where CSSIW will take follow-up steps in 2015-2016.
3. Assistance for Carers -

The Council assessed or reviewed the needs of 241 adult carers in 2014-2015, which is less than 298 carers assessed in the previous year. This is a cause for concern as the number of those caring for adults and who receive an assessment of their own needs has increased over the past four years in Wales, despite the fact that the number has been falling continuously in Gwynedd. The number of adult carers assessed or re-assessed in their own right during the year in which a service was provided for them was 132.

4. Timeliness of child protection conferences -

The Council's performance in holding initial child protection conferences has improved slightly, but it is lower than the Wales average (85% compared with 93%). Also, a drop was seen in the Council's performance in holding statutory reviews and child protection review conferences. The loss of the child protection coordinator and staff sickness contributed to the drop in performance in these fields. The timeliness of child protection conferences is a field that still requires improvement. Also, the Council needs to maintain and improve the timeliness of LAC reviews, which are currently managed by the safeguarding and quality unit.

5. Timeliness of looked after children reviews -

The Council's performance in holding initial child protection conferences has improved slightly, but it is lower than the Wales average (85% compared with 93%). Also, a drop was seen in the Council's performance in holding statutory reviews and child protection review conferences. The loss of the child protection coordinator and staff sickness contributed to the drop in performance in these fields. The timeliness of child protection conferences is a field that still requires improvement. Also, the Council needs to maintain and improve the timeliness of LAC reviews, which are currently managed by the safeguarding and quality unit.

6. Timeliness of health assessments for looked after children -

The Council only made small improvements in the percentage of looked after children receiving health assessments during the year, and this remains substantially lower than the Wales average (51% compared with 81%).

Progress against improvement proposals

In order to respond to proposal 1 above, the Safeguarding and Quality Assurance Unit has been set-up in the Adults, Health and Well-being Department to take responsibility for the POVA work. The Unit's work is continuously reviewed and monitored.

In order to respond to proposal 2 above, the work to review packages has already commenced and a category officer attends these reviews in order to discuss needs with the provider. By now, any request for a new package is scrutinised by the senior manager and Area Leaders and are discussed with the category officer.

In order to respond to proposal 3 above, we are collaborating with our third sector and health partners to develop a Gwynedd and Anglesey Carers Partnership Strategy. The information from the carers needs assessment has been inputted in the plan. The Carers Emergency Card scheme has been welcomed by carers in Meirionnydd and the intention is to promote its use in other areas. Further action is taken to support carers with a permanent fund of £114,000 which has been referred to the Council and to the Department through the settlement.

In response to improvement proposals 4 and 5 above, 82% of initial child protection conferences were held on time during 2017/18. The service retains a detailed record of the reasons why some conferences are late and this feeds into the performance challenge arrangements. 90% of child protection review conferences were held on time during the year and the reasons why some are late again are reported upon to performance challenging arrangements. A request was made for an additional child protection co-ordinator by means of the Council's internal arrangements to satisfy progress in the field and to maintain performance. The request was unsuccessful. We have already elaborated on progress made on this matter in the response.

In response to proposal 6 above, the Children and Supporting Families Department continues to give due attention to the matters in question. There has been an improvement in the number of health assessments being carried out on time for looked after children, with 65% conducted on time. There is room for further improvement and the matter matter is being regularly addressed in discussions between the Local Authority and the Health Board. The Corporate Parent Panel continues to monitor the situation closely and during the past year (17/18), it has set-up task groups that specifically examine multi-agency practice in the field of health and after-care support and supported accommodation for those leaving care. These groups are being led by Panel members and they report back to Panel on progress and on any matters that require further attention. During a full review of the children's service by CIW in May 2018, it was noted that the Panel's approach was robust and developmental and ensured that due attention was given to the needs of looked after children and young people.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that improvement proposal 1 be noted as "completed", improvement proposal 2 as "plan in progress", and improvement proposals 3, 4, 5 and 6 as "in progress".

6. Helping People to Live Independently: Do Councils Do Enough? -
National Report by the Wales Audit Office published October 2015

Improvement Proposals arising from the report -

1. Improve the strategic planning work and better coordinate activities for older people.
2. Improve the engagement and information for older people and the arrangements for disseminating that information.
3. Ensure effective management of the performance of the range of services assisting older people to live independently.

Progress against improvement proposals

In response to improvement proposal 1 above, adopting the 'Age Well in Gwynedd Plan' by the Cabinet on 17 January 2017 was a way to ensure that this agenda captured attention. It involved communicating across many Departments to bring a wide range of 18 action points together into one document. It is monitored by the Well-being Manager. Good progress has been made on all action points which means that there has been good collaboration between departments e.g. the Bridging the Generations Scheme which has been planned between the Adults and Education Departments. Implementing the Scheme has raised awareness within every Department of matters that are important to older people and is a good foundation for ensuring continuation of integrated collaboration between different Council departments.

In response to proposal 2 above - following reorganisation within the Adults, Health and Well-being Department, five new Area Teams were established so that our older citizens can obtain better access to information locally. The role of a 'Community Connector' has been developed in these teams to ensure that good networks are developed within communities and in order to discover which informal community services are available. The five teams offer an 'Information, Advice and Support' service so that our older citizens can get in touch and find a range of information that can help them, all through one contact point.

In response to proposal 3 above, the Gwynedd Council Plan 2018-23 states that "Living with dignity and independently for as long as possible" is one of the full Council's seven Well-being points and, as it corresponds with the well-being aims of the Well-being of Future Generations Act, it ensures that the Council integrates a range of services that help older people live independently, into the Council's main activities. A unit on 'Community Resilience' is included in the Council Plan where it states that "Our intention over the coming years is to continue to look at opportunities to build on the strengths within our communities and try to co-produce a full range of preventative support in order to make it easier for people to continue to live

independently in their communities". Again, one can see how this theme is a means of coordinating and ensuring high level management of the range of services that promote older people to live independently.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that improvement proposal 1 above be noted as "completed", and improvement proposals 2 and 3 as being "in progress".

7. National review of care and assistance for people with learning disabilities (Joint-review carried out by the Care and Social Services Inspectorate Wales and the Health Care Inspectorate) - Local report for Gwynedd published June 2016

Improvement Proposals arising from the report -

1. Strategic planning with health colleagues is needed in order to develop long-term aspirations and plans. A joint commissioning strategy should be developed between health and social services based on an analysis of needs.
2. The local authority should continue to develop and improve its communication with service providers, and include them in the work of drawing up a statement of the market's position and in discussions about a joint commissioning strategy with the health sector.
3. The Local Authority should review its arrangements for safeguarding adults, ensuring the clarity of the quality assurance functions and responsibilities.
4. The local authority should review the way it safeguards people's rights where they are deprived of their liberty (DoLS) to ensure that human rights are supported and properly protected.

Progress against improvement proposals

In response to improvement proposal 1 above, the Council, the Health Authority and all other stakeholders now serve on the Local Services Board and, as they complete their Well-being Assessments, it is anticipated that this agenda will feature high up in their work programme and that they will determine appropriate measures to measure progress across all services. A progress report will be submitted to the Care Scrutiny Committee before the end of 2018.

In response to improvement proposal 2 above, the Transformation Group is driving the work programme for the future commissioning strategy. Emphasis is placed on co-producing work schemes on matters such as respite care and providing services

within County boundaries. Every transformation project now includes key providers - the Health Board and the families/adults we support as needed. We hold regular engagement sessions. A progress report will be submitted to the Care Scrutiny Committee before the end of 2018.

In response to improvement proposal 3 above, the Department has set-up a Safeguarding and Quality Assurance Unit, functions within the unit are clear and rigorous arrangements are in place. A progress report will be submitted to the Care Scrutiny Committee before the end of 2018.

In response to improvement proposal 4 above, the work-stream of deprivation of liberty safeguards (DoLS) is managed in the Safeguarding and Quality Assurance Unit. A DoLS co-ordinator has now been appointed on a permanent basis and there are arrangements in place for best interests assessors from the rest of the Department to help cope with the challenging workload. A progress report will be submitted to the Care Scrutiny Committee before the end of 2018.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that improvement proposal 3 be noted as "completed", and improvement proposals 1, 2 and 4 as being "in progress".

8. Asset management [Land and Buildings] - Local report to Gwynedd published October 2016

Improvement Proposals arising from the report –

1. The Council should lead the way by reopening discussions with local and regional partners regarding the development of a systematic way of joint asset planning, including opportunities to: agree on joint performance management systems, and use them; establish a joint property services provision body; establish a joint asset retention bodies.

Progress against improvement proposals

In receiving the approval of this recommendation, the Public Services Board (Gwynedd and Anglesey) established a Property Asset work-stream and asked the Fire Service to lead on the work. The work has now come to an end and it did not lead to substantial changes in our work arrangements. However, a relationship has been established with asset management leaders within the other bodies and good practice is also shared; information sharing has also improved. Everyone also contributes towards the government's central system of sharing information about the assets that are surplus to requirement etc. As a Council, we have significantly moved the asset management agenda forward over the past few years and we will

adopt our second Asset Management Plan for the 2019-2029 period before Christmas this year.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that the improvement proposal above be noted as being "in progress".

9. **Information Technology Review** - Local report to Gwynedd published October 2016

Improvement Proposals arising from the report –

Review the terms of reference and membership of the IT Governance Group to ensure that its effectiveness in agreeing on priorities and making recommendations to senior managers and Members. In addition, the group needs to ensure consistency in terms of: the IT project prioritisation model; preparing business cases for each IT project; reviewing each IT project after its implementation; using the project management method adopted by the Council for each major IT project.

2. Ensure increased awareness of the new IT Strategy across the Council.
3. Improve ownership and responsibility for the IT Strategy across the ICT Service by ensuring that there are clear links between service plans and individual evaluations and the strategy.
4. Prepare regular updates on the journey of the IT Strategy to senior managers and Members.
5. Draw up a comprehensive ICT Service Plan which is in line with the new IT Strategy.

Progress against improvement proposals

Membership of the IT Governance Group has been reviewed during the past year. A work programme has been agreed and the responses to the proposals are in progress. Minutes of the meeting in which the terms of reference and group membership were reviewed have been shared with group members and the Heads of Departments. Account managers are collaborating with Council officers to prepare business cases for IT projects and are a practical aspect of major projects' governance.

In response to improvement proposal 2 above, Account Managers are raising awareness of the Strategy at departmental management meetings, and feed back responses to the IT Team.

In response to improvement proposal 3 above, the programme management unit has now been set-up and work is underway to engage regularly with our stakeholders by visiting individuals and management teams in departments and services. There is also contact between this group and the Ffordd Gwynedd team and the role is now visible within the Council.

In response to improvement proposal 4 above, progress against the IT Strategy is reported upon at every performance management meeting which, in turn, is reflected in the Performance Report of the Cabinet Member for Resources. The same update is reported upon at the IT Governance Group and the Senior Managers Group.

In response to improvement proposal 5 above, the development work programme is being shared as part of the performance management process and is a visible record that the task is being completed. Work schemes are available for the programme and infrastructure management unit, but these are only reported upon to the IT management team.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that the above mentioned improvement proposals be noted as "completed".

10. Community Safety in Wales - National Report by the Wales Audit Office published October 2016

Improvement Proposals arising from the report –

1. Improve strategic plans in order to better co-ordinate community safety by establishing a national strategy supported by regional and local plans that focus on achieving community safety priorities agreed on a national level, instead of the existing planning framework.

Improve strategic work with partners by formally creating effective safety community boards instead of the existing community safety structures, that formalise and unify the work of Welsh Government, the Police, local authorities, the health boards, the fire and rescue authorities, WACSO and other key stakeholders.

Ensure that community safety performance is effectively managed by: setting appropriate measures on every level in order to enable members, officers and the public to judge the progress of completing actions for community safety

services; ensure that the information on performance includes the work of all relevant agencies; establish measures to judge the inputs, outputs and the impact in order to be able to understand the effect of investment decisions and to support the scrutiny and overview work.

Improve the engagement and communication work with citizens through the public services boards by: developing plans and priorities for community safety; agree on priorities for implementation; and report on performance and evaluating the impact.

Progress against improvement proposals

There has been no further development on the first recommendation since the previous meeting of the Committee in November as we are awaiting further guidance from Welsh Government and the Home Office regarding a national strategy. In the meantime, a regional and local plan is in place.

Again, there have been no developments on the second recommendation either. The Regional Board is in place, and local statutory partnerships are in place, but we cannot move forwards until we receive further guidance from Welsh Government and the Home Office, and until the results of the review commissioned by Welsh Government are received.

In order to ensure effective performance management (3 above), a Regional Plan is in place with relevant measures, but this work is again dependent on Welsh Government's review results.

Following a public consultation on priorities for community safety, the results were analysed and used to formulate an action plan for 2018/19.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that improvement proposal 4 be noted as "completed", and improvement proposals 1, 2 and 3 as being "in progress".

11. People Strategy - Local report to Gwynedd published November 2016

Improvement Proposals arising from the report –

Ensure Members take full ownership of the People Strategy by scrutinising and formally approving it.

2. Update all people management policies and the guidance for managers to reflect the new People Strategy.
3. Put a comprehensive corporate workforce plan in place.
4. Introduce the new evaluation process to all staff.

Progress against improvement proposals

The "People Plan" was formally adopted by the Cabinet on 1 November 2016. The progress of the prioritised work streams within the Plan was reported to the performance challenge meetings of the Cabinet Member (where two members of the Audit and Governance Committee were present). The People Plan will be reviewed in 2018 since the current period of the Plan comes to an end at the end of the year.

The Project Group, under the leadership of the Human Resources Advisory Service Manager, reviews the content of each element of the current local work conditions. One of the Human Resources Advisors works as a Project Manager, with the Senior Manager and the Head of Department acting as Senior Users. A number of policies have been reviewed to correspond with the culture of empowering, armouring and delivering, and work will continue over the next 12 months.

The Human Resources Advisory Services Manager leads on presenting the planning arrangements of the comprehensive workforce to the Council. Alongside this, the Research and Analytics Team work together closely in order to provide key information about the nature of the current workforce. Work has already commenced with the Adults, Health and Well-being Department to test arrangements before they are rolled out on a wider scale.

Alternative evaluation arrangements were submitted to staff (based on continuous evaluation, rather than an annual event) across the Council. An informal review of arrangements displayed the need to establish the practice of continuous evaluation across the Council. This work will be one of the main priorities in 2018/19.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that improvement proposal 1 above be noted as "completed", and improvement proposals 2, 3 and 4 as being "in progress".

12. Local authority arrangements to charge a fee for services and generate income - National Report by the Wales Audit Office published November 2016

Improvement Proposals arising from the report –

3. Always use the checklist to assess impact when considering changing payments.
4. Find opportunities to procure companies from the private sector to collect payments in order to improve efficiency and economy when collecting income.
5. Improve the arrangements for managing performance, governance and accountability by: reporting any changes to payments to the scrutiny committee(s); improving monitoring work in order to gain a better understanding of the impact of requested changes to fees and payments, and on achieving objectives; benchmark and compare performance with others more thoroughly; and provide more comprehensive information to elected members so that it is possible to make firm decisions.
6. Improve the arrangements for anticipating income from payments by planning scenarios and conducting sensitivity analyse.

Progress against improvement proposals

Our action on recommendations 3 and 4 are ongoing. We will use Impact Assessments when there is a substantial change in payments (3), at the same time, we will consider all options when considering whether companies from the private sector would be most effective when collecting income (4).

Performance management arrangements (5) have already changed within the Council, and two members from scrutiny committees now sit in on the Cabinet Members' performance challenge meeting. In the Council's Constitution, the responsibility and power for determining and reviewing fees and prices have been delegated to relevant departments, to be implemented annually by the Cabinet Member and the Head of Department. Ultimately, the scrutiny agenda is managed by the scrutiny committees, and this committee has a role to do so within the field of finance.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that improvement proposals 3, 4 and 5 be noted as "completed".

- 13. Risk Management - An assessment that is based on the risk of the Council's corporate arrangements** - Local report to Gwynedd published January 2016

Improvement Proposals arising from the report –

The Council's risk management arrangements would benefit from: developing a tracking or summary of risks document as part of its Corporate Risk Register; delivering greater consistency when determining and managing risks in papers and reports submitted to the Members; giving greater attention to the concept of 'willingness to face risk' in its work of managing risk; submit a Risk Strategy and Operations Handbook to comply with the Council's amended arrangements; train the officers and the Member about risk management as part of the wider initiative to raise awareness.

Progress against improvement proposals

It was reported to the Audit Committee on 9 February 2017 that:

- The Governance Group will review our arrangements;
- The risk management culture will evolve so that it is not a "ticking the box practice";
- The training for officers will be reviewed.

A specific report on this will be submitted to a subsequent meeting of the Audit and Governance Committee.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that the improvement proposal above be noted as being "in progress".

14. Good governance when determining significant service changes - Local report to Gwynedd published March 2016

Improvement Proposals arising from the report –

1. Provide an opportunity for the scrutiny committees to review and challenge business cases in changes to services in a timely manner before the Cabinet makes a final decision.

Progress against improvement proposals

Since the new scrutiny model was adopted in May 2017, the emphasis is on promoting the forward scrutiny of the proposed changes to services and policies, etc. A review of the success of new arrangements will take place later on in 2018/19.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that the improvement proposal be noted as being "in progress".

15. Savings Schemes - Local report to Gwynedd published March 2017

Improvement Proposals arising from the report –

1. Strengthen the financial planning arrangements by ensuring that delivery timetables in business cases are robust
2. Strengthen the financial planning arrangements by establishing a more corporate method of determining income opportunities

Progress against improvement proposals

It is intended to make every effort to ensure that delivery timetables in business cases are robust. This will be more practical with cuts, but large scale efficiency saving plans will become increasingly challenging and the timetable will be subject to several complex factors (e.g. Leisure project). Due consideration will be given to this in the new savings regime which is about to commence.

The Chief Executive has already consulted informally with the Cabinet and we will deal with / consider the key income streams corporately by identifying new savings against 2018/19 and 2019/20. Due consideration will be given to this in the new savings procedure which is about to commence.

Conclusion

Based on what is noted above, the Audit and Governance Committee is asked to agree that the two improvement proposals be noted as being "in progress".

Agenda Item 7

MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: 28 JUNE 2018

TITLE: FINAL ACCOUNTS 2017/18 - REVENUE OUTTURN

PURPOSE: TO EXPLAIN AND SCRUTINISE THE FINAL FINANCIAL POSITION FOR 2017/18

ACTION: Receive the information, consider any risks arising from the actual expenditure and income against the 2017/18 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 report submitted today, namely the “outturn” budget review, explains the final position for 2017/18 and shows each department’s position. These figures form the basis for the statutory statements, submitted as a separate item to this meeting of the Audit and Governance Committee.
2. The usual practice is that the Cabinet report is presented to the Audit and Governance Committee, to be scrutinised together with the relevant decisions of the Cabinet meeting of 22 May which are on the following pages.
3. I note that part 5 and Appendix 3 of this report also deals with the review of the Council’s reserves.
4. The Audit and Governance Committee is requested to note the position and the relevant risks regarding the budgets of the Council and its departments, consider the Cabinet’s decisions, and comment as necessary.

GWYNEDD CABINET DECISION NOTICE

Date of Cabinet Meeting: 22 May 2018

The Decision will come into force and implemented, unless the decision is called in, in accordance with section 7.25.1 of the Gwynedd Council Constitution.

7 June 2018

SUBJECT

Item 8: FINAL ACCOUNTS 2017/18 - REVENUE OUT TURN

DECISION

1.1 To consider and note the final financial position of the Council's departments for 2017/18.

1.2 To approve the amounts to be carried forward (the "Revised Over/(Under) Spend" column of the summary in Appendix 1), namely -

DEPARTMENT	£'000
Adults, Health and Well-being	(100)
Children and Families	100
Education	0
Economy and Community	(35)
Highways and Municipal	100
Environment (formerly Regulatory)	(100)
Gwynedd Consultancy	(82)
Corporate Management Team & Legal	(66)
Finance	(66)
Corporate Support	(67)

1.3 To approve the following recommendations and virements (as outlined in Appendix 2) -

- Transfer £457k, equivalent to the supporting delivery of social services grant over the winter period to a specific fund to support the flexibility and facilitate transformation in the field of Adults in future.
 - Harvest (£37k) of the underspend, namely the sum above (£100k) for Adults, Health and Well-being, to be used to assist the departments who overspend this year.
 - The Children and Families Department to receive one-off financial support of £676k to alleviate the majority of the 2017/18 overspend, allowing them to move forward to face the challenges of 2018/19.
 - Transfer £207k to eliminate the Education Department's overspend, whilst transport policies and arrangements are being reviewed.
 - Highways and Municipal Department to receive one-off partial financial support of
-

£203k to limit the overspend to be carried forward by the Department to £100k, to assist them with facing the challenge of 2018/19.

- Transfer £378k of the Environment Department's 2017/18 underspend to a specific fund, relating to buses and routes costs, to be used in 2018/19.
- Harvest (£89k) of the Environment Department's underspend, namely the sum above (100k), to be used to assist the departments that overspend this year.
- Harvest (894k) of the net underspend on Corporate budgets (on Council Tax Reduction, bids and budgets returned by departments and on other headings), and transfer to assist the overspending departments in 2017/18.
- Transfer £66k from the Financial Strategy Support Fund, namely the balance required, to support the departments that overspend.

1.4 To approve the virements from the specific reserves as outlined in Appendix 3 following a review of the reserves, namely:

- Harvest (£2.915m).
- Assign £2.749m to the Council Plan.
- Assign £166k to waste issues.

REASONS FOR THE DECISION

It was the Cabinet's responsibility to take action, as necessary, in order to secure appropriate control over the Council's budgets (e.g. approval of significant virements or supplementary budgets) and in order to allow the formal final accounts to be completed.

DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which have been included in the report.

REPORT TO THE CABINET

22 MAY 2018

Cabinet Member: Councillor Peredur Jenkins, Finance Cabinet Member

Subject: Final Accounts 2017/18 - Revenue Outturn

Contact Officer: Dafydd L Edwards, Head of Finance

1. The decision sought / purpose of the report

The Cabinet is requested to:

- 1.1 To consider and note the final financial position of the Council's departments for 2017/18.
- 1.2 **To approve the amounts to be carried forward** (the "Revised Over/(Under) Spend" column of the summary in **Appendix 1**), namely -

DEPARTMENT	£'000
Adults, Health and Wellbeing	(100)
Children and Families	100
Education	0
Economy and Community	(35)
Highways and Municipal	100
Environment	(100)
Gwynedd Consultancy	(82)
Corporate Management Team & Legal	(66)
Finance	(66)
Corporate Support	(67)

- 1.3 To approve the following recommendations and financial transfers (as outlined in **Appendix 2**) –
 - Transfer £457k, equivalent to the supporting delivery of social services over the winter period grant to support flexibility and facilitate transformation in the Adults field in the future.
 - Harvest (£37k) of the underspend, being the sum above (£100k) for Adults, Health and Wellbeing, to be used to assist with the shortfall in other departments this year.
 - The Children and Families Department to receive one-off financial assistance of £676k to alleviate the majority of the 2017/18 overspend, allowing them to face the challenges of 2018/19.

- Transfer £207k to eliminate the Education Department's overspend, whilst transport policies and arrangements are being reviewed.
- Highways and Municipal to receive one-off partial financial assistance of £203k to limit the overspend to be carried forward by the Department to £100k, to assist them with facing the challenge of 2018/19.
- Transfer £378k of the Environment's Department 2017/18 overspend to a specific fund, relating to buses and route costs to be used in 2018/19.
- Harvest (£89k) of the Environment's Department underspend, being the sum above (£100k), to be used to assist the departments overspending this year.
- Harvest (£894k) of the net underspend on Corporate budgets (on Council Tax Reduction, bids and budgets returned by departments and on other headings), and transfer to assist the overspending departments in 2017/18.
- Transfer £66k from the Financial Strategy Support fund, being the balance required, to assist the overspending departments.

1.4 To approve the virements from the specific reserves as outlined in Appendix 3 following a review of reserves, namely:

- Harvest (£2.915m).
- Assign £2.749m to the Council Plan.
- Assign £166k to waste issues.

2. Introduction / Background

2.1 Generally, despite the sustained challenging need to achieve savings and cuts, **the final financial position of the Council's departments for 2017/18 confirms that there was effective financial management by the relevant Cabinet Members, department heads and budget managers.** Of course, that is supported by our accountants' professional monitoring work, together with constructive challenge as required by the Cabinet, the Audit and Governance Committee, and the Corporate Management Team.

2.2 Therefore, **the Cabinet is requested to approve the final financial position for 2017/18 to enable the Finance Department to move forward to produce, certify and publish the statutory financial statements before 30 June,** then present these for Audit and Governance Committee scrutiny on 19 July 2018.

3. Council Departments

- 3.1 **Generally, I can confirm that most departments' budgets have been 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 (subject to the Cabinet's approval) in the "Revised Over/(Under) Spend" column. In Appendix 2, further details relating to the major issues and areas where significant variances from those previously reported are noted, together with several specific recommendations. Those recommendations are highlighted for consideration above in 1.3.
- 3.2 Most of the departments are reporting an underspend financial position, which was accurately projected during 2017/18. But there was a significant improvement in the financial position of the **Adults' Department** during the last quarter of the year, following the receipt of a grant from Welsh Government to assist with the cost of supporting social services over the winter period.
- 3.3 There was an overspend on placements and operational services in the **Children and Families** Department, on transport by the **Education** Department and in the waste and engineering field by the **Highways and Municipal** Department.
- 3.4 **The underspend / overspend position of each department in Appendix 1, is reported to the Cabinet, who will approve the sums to be carried forward.** Financial Procedure Rule 16.3.1 specifies the arrangements for sums to be "carried forward" at the year-end. There are three requests for the Cabinet to write off the department's deficit, two requests to transfer funding for a specific purpose and two department with an underspend exceeding the £100,000 threshold on closure of the 2017/18 accounts, therefore with underspend to harvest. There is also a request to use £66k of the Supporting the Financial Strategy fund, the balance required to fund the overspending departments.
- 3.5 Generally, where departments have underspent, those are one-off positions in 2017/18 only.
- 3.6 In the majority of budgets where there was an overspend in 2017/18, appropriate consideration has been given to the related requirements and opportunities in the 2018/19 budgetary cycle, and most of those issues have already been addressed in the financial strategy for 2018/19 (by management action to halt trends, and/or by amending the budget).

4. Schools

- 4.1 A section 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 increased from £2.9m to £4.0m in 2017/18, and includes a grant

of £661k received at the beginning of March 2018 by Welsh Government to assist in the maintenance of schools. We will be publishing detailed annual information regarding individual schools' balances before long in a 'Section 52 Statement'.

- 4.2 The Education Department has arrangements to challenge individual schools to justify the need for their balances, and they ask school heads and the relevant schools' governing bodies to explain their intention to use their balances (particularly those with balances exceeding 5% of their budget).
- 4.3 The total schools financial deficit has reduced from £420,471 (12 Primary, 4 Secondary, 1 Special) on 31 March 2017 to £306,394 (2 Primary, 3 Secondary, 1 Special) on 31 March 2018. I confirm that the relevant Finance Unit will also ensure that the heads and governing bodies of the schools that have financial deficits will deal with them.

5. Corporate Budgets and Reserves

- 5.1 There were one-off underspends of (£894k) on several revised corporate budget headings this year, as outlined in the final section of Appendix 2. (£894k) of this net underspend is available to alleviate overspends by departments, and a further contribution of £66k is required, to be released from the Supporting the Financial Strategy reserve.
- 5.2 The adequacy of the Council's specific reserves was thoroughly reviewed again by the Head of Finance on closure of this year's accounts, in accordance with the policy approved three years ago. This review succeeded in harvesting £2.915m of resources, as outlined in Appendix 3.
- 5.3 £2.749m is to be earmarked for the priorities of the Council Plan, and £166k for waste issues.
- 5.4 With the Cabinet's support, if the underspend is applied as recommended in paragraph 1.3 above, through effective control over its budgets, the Council will have succeeded in funding its expenditure in line with its plan for 2017/18. Including using £1.013m of the Council's general balances in 2017/18 (in accordance with the Financial Strategy approved 2 March 2017), resulting in a balance of £5.897m.

6. Next steps and timetable

- 6.1 In accordance with The Accounts and Audit (Wales) Regulations 2014, and the CIPFA Code of accounting practice, the Chief Finance Officer has to certify the statutory financial statements for 2017/18 before 30 June. As the statutory timetable is to be reduced in next few years, the timetable was reduced this year in preparation, I would like to thank everyone who has contributed in this process.

- 6.2 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 2017/18. We will consider the information in this report, in order to reflect that position in the final accounts.
- 6.3 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.
- 6.4 The Finance Department will produce the 2017/18 statutory financial statements for certification by the Head of Finance before 30 June and submission for scrutiny by the Audit Committee on 19 July 2018.

Local member's views

Not relevant

Opinion of the Statutory Officers

Monitoring Officer:

Nothing to add from a propriety perspective.

Head of Finance:

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

Appendices

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

Appendix 2 - budgetary issues and areas where significant variances occurred

Appendix 3 - resources harvested from reviewing reserves

Final Accounts 2017/18 Revenue Budget - Summary of position by Department

	Final Review				Third Quarter Review £ '000
	Proposed Budget 2017/18 £'000	Gross Over / (Under) spend 2017/18 £ '000	Recommended Adjustments £'000	Revised Overspend / (Underspend) £ '000	
	Adults, Health and Wellbeing	44,663	(594)	494	
Children and Supporting Families	12,877	776	(676)	100	595
Education	82,647	207	(207)	0	238
Economy and Community	5,928	(35)	0	(35)	(61)
Highways and Municipal	20,754	303	(203)	100	404
Environment	4,759	(567)	467	(100)	(61)
Gwynedd Consultancy	233	(82)	0	(82)	(9)
Corporate Management Team and Legal	1,887	(66)	0	(66)	(67)
Finance (and Information Technology)	5,832	(66)	0	(66)	(72)
Corporate Support	7,909	(67)	0	(67)	(88)
Corporate Budgets <i>(Variances only)</i>	*	(894)	894	0	(498)
Totals (net)	187,489	(1,085)	769	(316)	479

Final Accounts 2017/18						
Adults, Health and Wellbeing Department	Proposed Budget 2017/18	Final Position 2017/18	Gross Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Revised Overspend / (Underspend)	Net Over/(Under) Spend Quarter 3 Review
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Adults Services						
Older Peoples Services						
Residential and Nursing - Homes	10,378	10,181	(197)	0	(197)	(74)
Home Care	6,223	5,551	(672)	457	(215)	(84)
Other	1,613	1,400	(213)	0	(213)	(271)
	18,214	17,132	(1,082)	457	(625)	(429)
Physical Disability Services						
Residential and Nursing	492	478	(14)	0	(14)	(7)
Home Care	998	961	(37)	0	(37)	51
Other	675	646	(29)	0	(29)	(159)
	2,165	2,085	(80)	0	(80)	(115)
Learning Disability Services	14,566	14,087	(479)	0	(479)	(382)
Mental Health Services						
Residential and Nursing	1,492	1,658	166	0	166	253
Other	1,881	1,681	(200)	0	(200)	(109)
	3,373	3,339	(34)	0	(34)	144
Other Services (Adults)						
Management	299	288	(11)	0	(11)	(16)
Older People and Physical Disability Team	2,445	2,437	(8)	0	(8)	52
	2,744	2,725	(19)	0	(19)	36
Adults Services Total	41,062	39,368	(1,694)	457	(1,237)	(746)

Final Accounts 2017/18						
Adults, Health and Wellbeing Department	Proposed Budget 2017/18	Final Position 2017/18	Gross Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Revised Overspend / (Underspend)	Net Over/(Under) Spend Quarter 3 Review
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
<u>Provider Services (showing net budget)</u>						
Residential Care	(699)	(337)	362	0	362	271
Day Care	(195)	(106)	89	0	89	13
Community Care	(56)	214	270	0	270	339
Other	(75)	(134)	(59)	0	(59)	(79)
<u>Total Provider Services</u>	(1,025)	(363)	662	0	662	544
<u>Other Services</u>						
Housing Services	1,535	1,547	12	0	12	37
Departmental Central Services (including the Department's savings schemes)	3,091	3,517	426	0	426	263
2017/18 Final Account Adjustment				37	37	0
<u>Total Other Services</u>	4,626	5,064	438	37	475	300
<u>Adults, Health and Wellbeing Total</u>	44,663	44,069	(594)	494	(100)	98

Adults, Health and Wellbeing

Older Peoples Services - an increase in the income contributions, and a reduction in the number of home care packages. A grant of £457k was received from the Welsh Government late in the year towards supporting social services over the winter. As the Department is underspending in 2017/18, they are eager to carry forward a sum equal to the grant to ensure flexibility in the future.

Physical Disability Services - an underspend on direct payments and home care is assisting in reducing the effect of the overspend on supported accommodation.

Learning Disability Services - most of the fields within this area are underspending except for supported packages which are overspending as there has been slippage in realising the savings schemes. Two expensive out of county cases have ceased during the quarter.

Mental Health Services - three residential cases have ended, vacant positions, and a grant was received in the alcohol and drugs area, are all contributing towards the underspend.

Provider Services - an increase in the overspend trend, stemming mainly from related costs and staffing matters. A reduction in the overspend on community care with an increase in the hours provided and better management of travelling and non-contact hours.

Other Services - Central Services - a failure to realise £436k of the savings in 2017/18. A report was submitted to the Cabinet on 13 March 2018 re-packaging savings schemes so that they could be realised. On the other hand, re-assessing independent living packages has resulted in less demand for the service.

It is recommended that £457k is transferred, equal to the supporting social services grant over the winter to a specific reserve, to support flexibility and facilitate the transformation in the Adults field for the future.

Harvest (£37k) of the underspend, that is, the sum in excess of (£100k) in Adults, Health and Wellbeing, to be used to assist Departments that are overspending this year.

Final Accounts 2017/18						
Children and Families Department	Proposed Budget 2017/18	Final Position 2017/18	Gross Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Revised Overspend / (Underspend)	Net Over/(Under) Spend Quarter 3 Review
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Service Management	527	508	(19)	0	(19)	(19)
Operational Services	2,030	2,286	256	0	256	156
Placement Services						
Out of County Placements	1,947	2,352	405	0	405	325
Agency Fostering	928	1,063	135	0	135	86
Internal Fostering	1,675	1,777	102	0	102	55
Other Support services	1,570	1,640	70	0	70	79
	6,120	6,832	712	0	712	545
Post-16 Services	923	918	(5)	0	(5)	(10)
Specialist Services/Derwen	1,592	1,614	22	0	22	62
Youth Justice Services	239	199	(40)	0	(40)	(39)
Early Years Services	123	96	(27)	0	(27)	(53)
Other Services	1,323	1,200	(123)	0	(123)	(47)
2017/18 Final Account Adjustment				(676)	(676)	0
Children and Families Total	12,877	13,653	776	(676)	100	595

Children and Families

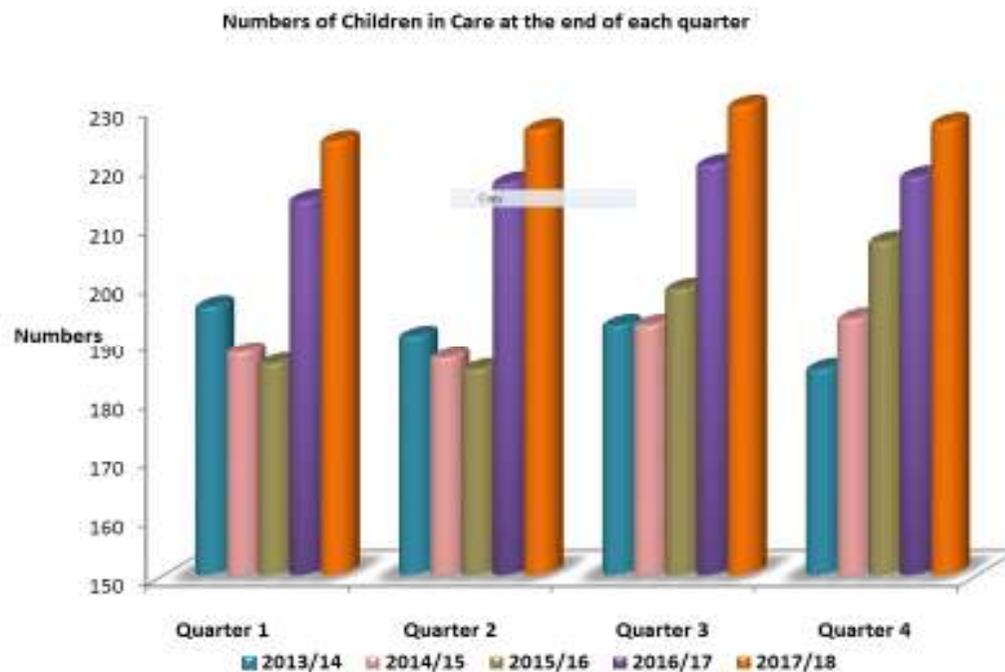
Operational Services - an increase in the number of children in care but not in fostering placements, together with additional pressure in supporting families leading to a higher overspend.

Placement Services - a further increase in the overspend on out of county placements to £405k following on from one new long term case, with four of the fifteen cases now being 17, and accordingly coming to an end in 2018/19. Three cases of fostering through agencies, four new internal fostering cases and six additional 'Staying On' cases during the quarter resulting in a further overspend. The overspend tendency on fostering allowances and residential order allowances continues.

Other Services - receipt of grant funding and staff turnover is responsible for the underspend of (£123k).

The increasing pressure from the number of cases by the Department can be seen in the chart below. In the circumstances, it is therefore recommended that one-off partial support of £676k be offered to assist the Department with this year's problematic financial position, thus limiting the overspend to be carried forward by the Department to £100k.

It is recommended that the Children and Families Department receive one-off financial support of £676k to alleviate the majority of the 2017/18 overspend, enabling them to move on to face the 2018/19 challenges.



Final Accounts 2017/18						
Education Department	Proposed Budget 2017/18	Final Position 2017/18	Gross Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Revised Overspend / (Underspend)	Net Over/(Under) Spend Quarter 3 Review
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Delegated Schools	71,826	71,826	0	0	0	0
Transport	4,246	4,530	284	(207)	77	240
Redundancy and Early Retirement	1,373	1,373	0	0	0	(7)
Out of County	945	871	(74)	0	(74)	(36)
Catering and Cleaning	123	383	260	0	260	198
Nursery Education	576	541	(35)	0	(35)	(4)
School Improvement Grant	587	552	(35)	0	(35)	(35)
Management	1,239	1,098	(141)	0	(141)	(81)
Additional Learning Needs and Inclusion	3,179	3,212	33	0	33	14
Further Education	24	13	(11)	0	(11)	(7)
Education Contribution to Joint-Committees	1,088	1,004	(84)	0	(84)	(34)
Other	(2,559)	(2,549)	10	0	10	(10)
Education Total	82,647	82,854	207	(207)	0	238

Education

Transport - The overspend trend seen during the year continues, with an increase to £284k by the year end. A deficit of £49k on the sale of post-16 transport tickets, overspend of £27k on school buses, and £208k on school taxi transport, stemming from an increase in demand since the budget was established. In the previous review, the Education Head, in consultation with the Environment Head was requested to review the increase in the spend on school taxi transport, and then act to manage the position. We understand that work is ongoing to review the arrangements that give rise to the calls for new transport, and initial re-modeling work of providing transport, to reduce costs. Members will remember, when approving the 2018/19 budget in the Cabinet on 13 February and in the full Council 8 March 2018, it was recommended that the overspend on school transportation was to be eliminated at year end.

Out of County - the out of county commitment has reduced leading to an underspend of (£74k) at the end of the financial year.

Catering and Cleaning - an increase in the overspend to £260k, a combination of costs stemming from sickness and staffing matters, a delay in fulfilling the Free Breakfast savings scheme, together with a shortfall in the meals income and the care element of the breakfast scheme.

Management - an increase in the underspend during the quarter stemming from staff turnover and success in attracting income and grants.

Education Contribution to Joint-Committees - an underspend of (£84k) stemming from the use of grant funding together with early realisation of savings schemes.

It is recommended that £207k of bridging finance is transferred to the Education Department, whilst the policies and transport arrangements are reviewed.

Final Accounts 2017/18						
Economy and Community Department	Proposed Budget 2017/18	Final Position 2017/18	Gross Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Revised Overspend / (Underspend)	Net Over/(Under) Spend Quarter 3 Review
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Management	388	389	1	0	1	0
Community Learning	2,788	2,708	(80)	0	(80)	(44)
Tourism and Heritage	1,054	1,061	7	0	7	10
Economy and Community	341	357	16	0	16	(8)
Healthy Communities	1,357	1,378	21	0	21	(19)
<u>Economy and Community Total</u>	5,928	5,893	(35)	0	(35)	(61)

Economy and Community

The underspend has reduced to (£35k) by the year end, with a reduction in the receipt of income from Leisure Centres during the last quarter. Within this position, some services are overspending, including Marine, Galleries and Museums, and Leisure facilities, but balanced by an underspend in other fields such as Business Support, Sports Development, Country Parks and Archives. The Department has also realised savings early this year in preparation for the 2018/19 savings schemes.

Community Learning - an increase in the overspend to (£80k) which is a combination of an underspend of (£53k) on the Youth Service, and staff turnover is responsible for an underspend of (£27k) on Community Regeneration.

Final Accounts 2017/18						
Highways and Municipal Department (including Trunk Road Agency)	Proposed Budget 2017/18	Final Position 2017/18	Gross Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Revised Overspend / (Underspend)	Net Over/(Under) Spend Quarter 3 Review
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Highways Services (including Trunk Roads)	9,022	9,071	49	0	49	146
Engineering Services	385	497	112	0	112	81
Municipal Services						
Waste	7,795	7,979	184	0	184	142
Other	2,807	2,800	(7)	0	(7)	66
Municipal Provider Units	745	710	(35)	0	(35)	(31)
2017/18 Final Account Adjustment				(203)	(203)	0
Highways and Municipal Total	20,754	21,057	303	(203)	100	404

Highways and Municipal (including Trunk Road Agency)

Highways Services - a shortfall in the income on external contracts and maintenance work during the long and hard winter this year resulted in a substantial overspend. Receipt of a £165k grant from the Welsh Government towards the costs was insufficient, and accordingly, the Department has had to use its severe weather reserve to try to alleviate the position.

Engineering Services - a combination of failure to realise savings schemes, staffing matters and the loss of an external contract are responsible for the overspend, together with additional staffing costs in the CCTV field during the last quarter.

Waste - an increase in sickness costs, transport and vehicle hire, and increasing costs of handling and transporting recyclable materials. The Department has used budgets from other fields and reserves to reduce the overspend.

Municipal Services - Other - an overspend on street cleaning operational costs, but balanced by higher fourth quarter crematorium and cemetery income.

As the Department has transferred budgets and used reserves to try to reduce the overspend, it is reasonable to provide one-off financial support to assist the Department with the financial position.

It is recommended that Highways and Municipal are to receive one-off partial financial assistance of £203k to limit the overspend to be carried forward by the Department to £100k, to assist them with facing the challenge of 2018/19.

Final Accounts 2017/18						
Environment Department	Proposed Budget 2017/18	Final Position 2017/18	Gross Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Revised Overspend / (Underspend)	Net Over/(Under) Spend Quarter 3 Review
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Department Management	377	328	(49)	0	(49)	(3)
Planning Services						
Development Control	258	298	40	0	40	0
Other	(16)	(32)	(16)	0	(16)	(13)
	242	266	24	0	24	(13)
Street Works and Transport Services						
Forward Planning	(23)	17	40	0	40	1
Road Safety	127	119	(8)	0	(8)	(15)
Traffic and Statutory Arrangenets	365	378	13	0	13	(7)
Parking and Parking Enforcement	(1,843)	(1,795)	48	0	48	(5)
Integrated Transport	1,606	971	(635)	378	(257)	(40)
Enforcement and Traffic	22	23	1	0	1	6
	254	(287)	(541)	378	(163)	(60)
Countryside and Access Services	714	726	12	0	12	13
Joint Planning Policy Unit	299	299	0	0	0	0
Public Protection Services	1,427	1,384	(43)	0	(43)	(2)
Catering, Cleaning and Caretakers	1,446	1,476	30	0	30	4
2017/18 Final Account Adjustment				89	89	0
Environment Total	4,759	4,192	(567)	467	(100)	(61)

Environment

A continuation in the underspend trend across a number of Department services, mainly on vacant posts, therefore one-off effect in 2017/18.

Street Works and Transport Services - Loss of income from parking fees, and Forward Planning financing capital expenditure. In Integrated Transport, financial support has been received from the Welsh Government towards the increasing costs following on from re-tendering bus routes of one bus operator recently, together with receipt of additional bus grant during March. The Department is eager to earmark £378k of this to meet related bus costs in 2018/19.

It is recommended that an underspend of £378k relating to buses and route costs in the Environment Department is transferred to a specific reserve, to be used in 2018/19.

Harvest (£89k) of the Environment Department underspend, that is the sum in excess of (£100k), to be used to assist Departments that are overspending in 2017/18.

Final Accounts 2017/18						
Consultancy Department	Proposed Budget 2017/18	Final Position 2017/18	Gross Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Revised Overspend / (Underspend)	Net Over/(Under) Spend Quarter 3 Review
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Roads and Engineering Services	(417)	(527)	(110)	0	(110)	(57)
Building Services	(35)	(43)	(8)	0	(8)	25
Flood Risk Management Unit Services	566	575	9	0	9	0
Building Control	119	146	27	0	27	23
Consultancy Total	233	151	(82)	0	(82)	(9)

Consultancy

Roads and Engineering Services - success in attracting additional income from a combination of internal and external work, has resulted in an increase in the income from the Welsh Government, Trunk Roads and external bodies in the last quarter, thus responsible for the underspend increasing to (£110k).

Building Services - an underspend at the end of the year stemming from attracting more income for work from external bodies, together with an underspend on staffing costs.

Rheolaeth Adeiladu - an income shortfall responsible for the overspend of £27k.

Final Accounts 2017/18						
Central Departments	Proposed Budget 2017/18	Final Position 2017/18	Gross Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Revised Overspend / (Underspend)	Net Over/(Under) Spend Quarter 3 Review
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team and Legal	1,887	1,821	(66)	0	(66)	(67)
Finance (and Information Technology)	5,832	5,766	(66)	0	(66)	(72)
Corporate Support	7,909	7,842	(67)	0	(67)	(88)
Central Departments Total	15,628	15,429	(199)	0	(199)	(227)

Central Departments

Corporate Management Team and Legal - an underspend of (£66k) with (£57k) of this stemming from receipt of additional income by the Legal Unit, and (£9k) of savings realised early in the Emergency Planning field.

Finance (and Information Technology) - the end of year position is in accordance with the forecasts, with an underspend of (£66k). A one-off underspend on vacant positions across the Department, together with attracting income in excess of the budget in Information Technology and Internal Audit is responsible for the position.

Corporate Support - an underspend of (£67k), which is a combination of one-off staffing savings following on from staff turnover, together with the Department's success in attracting external income in excess of the budget in the Occupational Health, Translation, and Support fields. An overspend of £50k on Galw Gwynedd is partly due to the loss of an external contract together with one-off spend on staffing costs and on a CCTV system.

Final Accounts 2017/18						
Corporate (Only reflecting the variances)	Proposed Budget 2017/18	Final Position 2017/18	Gross Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Revised Overspend / (Underspend)	Net Over/(Under) Spend Quarter 3 Review
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	*	*	441		441	0
Council Tax Reduction	*	*	(307)		(307)	0
Bids and Budgets returned by Departments	*	*	(563)		(563)	0
Other	*	*	(465)		(465)	(498)
2017/18 Final Account Adjustment				894	894	0
Corporate Total	*	*	(894)	894	0	(498)

Corporate

Council Tax - an overspend of £441k, as the Valuation Office allowed 282 properties to be transferred from being Council Tax properties list to non-domestic Rates, with 43% (122 properties) during the last quarter. The number of transfers in 2017/18 was over 50% higher than in previous years, with the effect of backdating some applications to 2010/11.

Council Tax Reduction - the underspend trend on the Council Tax Reduction scheme continues, with a reduction in the number of applications following a pattern also seen by other north Wales Local Authorities.

Bids and Budgets returned by Departments - (£255k) as a result of reduced demand on the provision relating to the new automatic pension registration arrangements, (£172k) after receiving a grant from Welsh Government after the budget was set, and (£136k) of bids that will not be used in 2017/18.

Other - underspend due to changes in circumstances that were not foreseen when the budget was set, underspend on external audit fees and a reduction in the provision for bad debts.

It is recommended that (£894k) of the net underspend on Corporate budgets is harvested and transferred to assist the overspending departments in 2017/18.

It is also recommended that £66k is transferred from the Financial Strategy Support reserve, being the balance required to assist the overspending departments.

Harvesting Reserves

Following a review of reserves, it is recommended that the following sums are released from the reserves below:

Reserve	Sum to be released £
Efficiency Development (to be transferred to achieve corporate priorities)	47,000
Special Projects Leader (no related commitment)	70,162
Corporate Support underspend (harvest above a certain threshold)	56,039
E-Government (no related commitment)	250,000
Finance Department underspend (harvest above a certain threshold)	66,829
Gwynedd Consultancy underspend (harvest above a certain threshold)	34,687
Biking Officer reserve (no related commitment)	10,000
Issues relating to dissolving Cwmni Gwastraff Môn Arfon (completed)	165,504 *
Supporting the Financial Strategy Reserve (to be transferred to achieve corporate priorities)	2,214,585
Total	2,914,806

to be transferred to the reserves below as follows:

Reserve	Sum to be transferred £
Waste issues	165,504 *
Transformation / Council Plan	2,749,302
Total	2,914,806

GWYNEDD CABINET DECISION NOTICE

Date of Cabinet Meeting: 22 May 2018

The Decision will come into force and implemented, unless the decision is called in, in accordance with section 7.25.1 of the Gwynedd Council Constitution.

7 June 2018

SUBJECT

Item 9: CAPITAL PROGRAMME 2017/18 - END OF YEAR REVIEW (31 March position)

DECISION

To accept the report on the end of year review (as at 31 March 2018) of the capital programme, and approve the revised financing as shown in part 4 of the report, namely:

- An increase of £4,514,000 in the use of grants and contributions
 - An increase of £326,000 in the use of capital receipts
 - A decrease of £371,000 in the use of other borrowing
 - A decrease of £335,000 in the use of revenue contributions
 - A decrease of £53,000 in the use of the capital fund
 - A decrease of £65,000 in the use of renewal funds and others
-

REASONS FOR THE DECISION

It is the Cabinet's responsibility to take action, as necessary, in order to secure appropriate control over the Council's budgets (e.g. approval of significant virements or supplementary budgets).

DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which have been included in the report.

REPORT TO THE CABINET

22 May 2018

Cabinet Member: Councillor Peredur Jenkins - Finance Cabinet Member

Subject: Capital Programme 2017/18 – End of Year Review
(31 March 2018 position)

Contact Officer: Dafydd L Edwards - Head of Finance

The decision sought / Purpose of the report

To accept the report on the end of year review (31 March 2018 position) of the capital programme, and approve the revised financing as shown in part 4 of the report, that is:

- an increase of £4,514,000 in the use of grants and contributions
 - an increase of £326,000 in the use of capital receipts
 - a decrease of £371,000 in the use of other borrowing
 - a decrease of £335,000 in the use of revenue contributions
 - a decrease of £53,000 in the use of the capital reserve
 - a decrease of £65,000 in the use of renewal reserves and others
-

1. Introduction / Summary

This technical report is presented as part of the 2017/18 end of year process. The main purpose of the report is to present the revised capital programme and to approve the relevant financing sources. There is a summary in parts 3 and 4 of the report, with the recommendations in part 5:

Part 3: Analysis by Department of the £51.734m capital programme for the 3 years 2017/18 – 2019/20.

Part 4: Sources of finance for the net increase of approximately £4.016m since the previous review.

The Cabinet has the authority to adapt the capital programme. Approval is sought for the revised programme (part 3) and financing (part 4).

The remainder of the report is for information:

- Appendix A: The main changes per source of finance
- Appendix B: Movements from 2017/18 to 2018/19

2. Main Findings:

The main conclusions that arise from the revised position are:

- The Council succeeded in spending over £23m in 2017/18 on capital projects, with £11m of it being financed by attracting specific grants.

- £15.6m of budgeted expenditure will slip from 2017/18, compared to a slippage of £9.9m at the end of 2016/17. No loss of grant funding was caused to the Council where schemes have slipped.

3. Capital Programme 2017/18 to 2019/20

See below the revised capital programme as at the end of March 2018.

DEPARTMENT	END OF MARCH REVIEW				INCREASE/ (DECREASE) SINCE THE LAST REVIEW £'000
	2017/18	2018/19	2019/20	TOTAL	
	£'000	£'000	£'000	£'000	
Education	10,575	2,620	0	13,195	(257)
Environment	4,888	7,561	0	12,449	1,992
Corporate Support	28	124	0	152	0
Finance	389	883	0	1,272	16
Economy and Community	1,249	293	200	1,742	480
Adults, Health and Wellbeing - Housing	2,150	4,486	0	6,636	(35)
Adults, Health and Wellbeing - Other	631	370	0	1,001	54
Children and Family Support	214	0	0	214	7
Highways and Municipal	3,095	8,607	2,247	13,949	1,714
Consultancy	179	153	0	332	45
Corporate	0	792	0	792	0
TOTAL	23,398	25,889	2,447	51,734	4,016

4. Changes to the Sources of Finance

The budget for the three year programme shows an increase of £4.016m since the previous review. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF MARCH REVIEW				INCREASE/ (DECREASE) SINCE THE LAST REVIEW £'000
	2017/18	2018/19	2019/20	TOTAL	
	£'000	£'000	£'000	£'000	
Supported Borrowing	4,150	6,399	0	10,549	0
Other Borrowing	3,635	5,045	861	9,541	(371)
Grants and Contributions	11,109	2,688	200	13,997	4,514
Capital Receipts	1,384	371	0	1,755	326
Departmental & Corporate Revenue	1,739	282	0	2,021	(335)
Capital Fund	0	2,353	0	2,353	(53)
Renewals & Other Funds	1,381	8,751	1,386	11,518	(65)
TOTAL	23,398	25,889	2,447	51,734	4,016

5. RECOMMENDATIONS

The Cabinet is asked to:

- **accept the 2017/18 to 2019/20 revised capital programme, and**
- **approve the relevant sources of finance (part 4 above).**

6. Reasons for recommending the decision

It is necessary to ensure appropriate financing arrangements for the Council's plans to spend on capital, and the Cabinet must approve the capital programme and its sources of funding.

Incorporating funding via grant is a point of order, but it is also necessary to deal with situations where there has been a change in expenditure profiles between years and the value of capital receipts and contributions.

These are recommendations to ensure definite sources of funding for the 2017/18 – 2019/20 capital schemes.

7. Relevant considerations

These are technical issues regarding the financing of schemes and relevant implications and debates have already been addressed when the individual schemes were adopted.

8. Next steps and timetable

To implement the recommendations to finance the programme in order that the Finance Department can move forward to close the Council's financial accounts for 2017/18, and publish the statutory statement before the end of June.

View of the Local Member

Not relevant.

Views of the Statutory Officers**Monitoring Officer:**

Nothing to add from a propriety perspective.

Head of Finance:

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

Appendices

Appendix A: Main changes per source of financing (2017/18)

Appendix B: Budget re-profiling – main schemes

MAIN CHANGES PER SOURCE OF FINANCING (2017/18):

See below the relevant schemes that have caused the main changes to the sources of finance during the last quarter:

	Increase / (Decrease) £'000
Other Borrowing	
<ul style="list-style-type: none"> 21st Century Schools – subsequent re-profiling indicates more grant therefore less borrowing required. 	(240)
<ul style="list-style-type: none"> Technical adjustments – switching funding of Highways and Municipal vehicles with Reserves. 	(130)
Grants and Contributions	
<ul style="list-style-type: none"> 21st Century Schools – subsequent re-profiling indicates more grant therefore less borrowing required and more grant approved for the Bangor scheme. 	272
<ul style="list-style-type: none"> New grant for Feminine Hygiene in school toilets. 	30
<ul style="list-style-type: none"> New TAIS grant – Blue Flag Beaches improvements. 	114
<ul style="list-style-type: none"> Overestimated expenditure in Sure Start Capital Schemes. 	(17)
<ul style="list-style-type: none"> New grant for Roads Refurbishment. 	1,989
<ul style="list-style-type: none"> Additional waste grant (Cartgylchu). 	173
<ul style="list-style-type: none"> Additional Local Transport Fund grants. 	1,915
Capital Receipts	
<ul style="list-style-type: none"> 21st Century Schools – Technical adjustment to switch funding between departmental revenue and capital receipts to reflect the situation better since the previous review. 	300
<ul style="list-style-type: none"> Reassessment of the funding source for the Ffridd Arw/Caeryglchu Scheme. 	15
Departmental and Corporate Revenue	
<ul style="list-style-type: none"> 21st Century Schools – See above. 	(300)
<ul style="list-style-type: none"> Capitalised Schools Repairs and Maintenance. 	(280)
<ul style="list-style-type: none"> A number of additional schemes or some schemes costing more than originally envisaged within the services of the Economy Department – Tegid Path, Trefor Pier Safety and Demolition, Self Service Machines in Libraries. 	193
<ul style="list-style-type: none"> A number of additional schemes or some schemes costing more than originally envisaged within the services of the Environment Department – Transportation, Rural schemes, Vehicles and Equipment. 	55
Capital Fund	
<ul style="list-style-type: none"> Underspending on schemes - Upgrading Schools Service Electronic systems and Rationalisation of the provision of the Schools' System. 	(20)
<ul style="list-style-type: none"> Reassessment of the estimates for the Waste Sites' Flares scheme. 	(32)
Renewals and Other Funds	
<ul style="list-style-type: none"> Requirement to use less of the Renewals Funds because of an increase in the waste grant for the Cartgylchu scheme. 	(163)
<ul style="list-style-type: none"> A number of adjustments for the use of Funds within various services. 	95

BUDGET RE-PROFILING – MAIN SCHEMES:

See below the main schemes that have been re-profiled since the original budget:

	2017/18 £'000	2018/19 £'000
Repairs and Maintenance of the Council's Buildings and Carbon Management Schemes (Environment Department)	(3,091)	3,091
Renewal of the Council's Vehicles (Highways and Municipal Department)	(3,944)	3,944
Housing Grants Schemes (Adults, Health and Wellbeing Department – Housing Unit)	(1,024)	1,024
Computer Replacement Schemes for the Council (Finance and Information Technology Department)	(534)	534
21 st Century Schools Schemes (Education Department)	(2,077)	2,077
Car Parks Resurfacing Schemes (Environment Department)	(260)	260
Llandygai Gypsy Site Scheme	(612)	612
Education – various schemes such as toilet Hygiene grant, Schools' Systems, Safety etc	(287)	287
Environment - various other schemes such as traffic improvements, Briwet Bridge, information technology, vehicles, administrative buildings' adaptations	(436)	436
Adults – Residential Homes' improvements and Relocation of Segontium Day Service	(370)	370
Highways and Municipal – various schemes such as Renewal of Safety Fences, Surface Water on Roads, Water Pipes, Toilets	(335)	335
Schemes funded from the new 2017/18 year end grant for road refurbishment	(1,988)	1,988

Note:

The above re-profiling will not result in any loss in grant.

There is a variety of valid reasons behind the re-profiling in many cases, but the delay prior to implementing these schemes can mean that the services have to cope for longer with current assets which have not been improved. I am sure that the responsible Cabinet Members and the relevant Scrutiny Committees will wish to satisfy themselves regarding this re-profiling.

Agenda Item 9

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	28 JUNE 2018
TITLE:	2017/18 SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES
PURPOSE:	SHARE THE INFORMATION WITH THE AUDIT AND GOVERNANCE COMMITTEE MEMBERS
ACTION:	RECEIVE THE REPORT FOR INFORMATION
CONTACT OFFICER:	DAFYDD L EDWARDS, HEAD OF FINANCE
CABINET MEMBER:	COUNCILLOR PEREDUR JENKINS

1. The attached report (Savings Overview 2017/18: Progress Report on Realising Savings Schemes) was presented to the Cabinet on 22 May to report on the position relating to realising saving schemes to 31 March 2018.
2. The Cabinet report is presented to the Audit and Governance Committee to be scrutinised, together with the relevant decision of the Cabinet meeting of 22 May which is on the following page.
3. The Audit and Governance Committee is asked to note the position and any risks relating to the Savings Overview, and comment as necessary.

GWYNEDD CABINET DECISION NOTICE

Date of Cabinet Meeting: 22 May 2018

The Decision will come into force and implemented, unless the decision is called in, in accordance with section 7.25.1 of the Gwynedd Council Constitution.

7 June 2018

SUBJECT

Item 7: 2017/18 SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVING SCHEMES

DECISION

To note the encouraging progress towards realising the 2017/18 savings schemes.

REASONS FOR THE DECISION

Realising the individual schemes is the responsibility of the relevant members of the Cabinet, and the Cabinet Member for Finance keeps an overview of the whole picture. A report was given on the savings realisation situation up to 31 March 2018, noting that there was satisfactory progress across the Council to realise approximately £6 million in savings in 2017/18.

DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which had been included in the report.

REPORT TO THE CABINET

Date	22 May 2018
Cabinet Member	Councillor Peredur Jenkins
Subject	2017/18 Savings Overview: Progress Report on Realising Savings Schemes
Contact Officer	Dafydd L Edwards, Head of Finance

DECISION SOUGHT

To note the encouraging progress towards realising the savings schemes during 2017/18.

1. INTRODUCTION / BACKGROUND

In the Council's 2017/18 Financial Strategy, we had planned for savings of £7,414,750. Realising the individual schemes is the responsibility of the relevant Cabinet members, and the Cabinet Member for Finance keeps an overview of the whole picture. This report updates on the progress of realising the savings up to 31 March 2018.

2. DEPARTMENTAL SCHEMES in previous years

Appendix 1 summarises the achievements of each department against the savings target carried forward from 2016/17. Only two schemes remain to be realised, and it is expected that this will be achieved during 2018/19. In financial terms (£), over 99% of the 2015/16 and 2016/17 schemes have been realised.

3. DEPARTMENTAL SCHEMES 2017/18

3.1 Appendix 2 summarises the position in respect of realising the 2017/18 savings schemes. Of the 122 schemes, 108 have been fully or partly realised on time, but there has been some slippage in realising the remainder. In financial terms (£), 81% of the savings have been realised.

3.2 In my report in September 2017, I referred to the substantial challenge of realising a number of schemes in the **Adults, Health and Wellbeing Department**. On 13 February 2018, a report was presented to the Cabinet by the Adults, Health and Wellbeing Cabinet Member and it was agreed to amalgamate a number of individual schemes into the work streams that were realising savings from the same budgets. It is foreseen that the Department will, during 2018/19, make substantial progress towards realising the savings that have slipped.

- 3.3** The Cabinet Member for Children presented a report to the Cabinet on 9 January referring to the substantial challenge of realising this year's savings schemes, in particular the remainder of the savings as had been envisaged from the "End to End" scheme. It was agreed that there was need for the **Children and Supporting Families Department** to review the financial outcomes to date and compare these with the original theories, together with the forecasts for the future. The financing of childcare is a field causing concern for numerous local authorities, and I therefore encourage the Children's Cabinet Member to present a report as soon as possible, to consider if it will be necessary for the Children's Department to submit an alternative scheme to realise the relative financial savings.
- 3.4** There is one scheme within the **Highways Department** that continues to cause concern, and a report was submitted to the Communities Scrutiny Committee on 19 April 2018 to explain the position, and consider an alternative way of fully realising the saving. It is expected that the Cabinet Member presents a report to consider the views of the Committee.
- 3.5** Generally, I am very satisfied with the progress that has been made to realise the 2017/18 savings.

4. DEPARTMENTAL SCHEMES 2018/19

Appendix 3 summarises the position in respect of the schemes that are in hand to be realised during 2018/19. Although early in the financial year, the forecasts of realising the schemes are generally promising, with only one scheme causing concern.

5. CONCLUSION

- 5.1** Whilst some departments have realised all of their savings schemes, it is inevitable that realising some of the schemes within the original timescale has been challenging, in particular some of the larger schemes within the Children and Adults Departments. More time is required to plan and implement appropriately with some schemes, and the Cabinet in various meetings has approved amendments and re-profiling schemes in some fields, that has resulted in extending the realisation timetable.
- 5.2** I would like to thank all the Cabinet Members for continuing to monitor the savings schemes, and I am aware that work continues to be done in all departments to realise the goal. I ask the Cabinet to note the satisfactory achievements to date in realising the savings schemes in 2017/18, and the encouraging progress forecasted towards realising the 2018/19 savings programme.

View of the Local Member

Not relevant

Views of the Statutory Officers**Monitoring Officer:**

No observations in relation to propriety.

Head of Finance:

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

Appendices:

Appendix 1 – 2016/17 Savings Schemes Overview by department

Appendix 2 – 2017/18 Savings Schemes Overview by department

Appendix 3 – 2018/19 Savings Schemes Overview by department

OVERVIEW OF SAVINGS SCHEMES 2016/17 BY DEPARTMENT

APPENDIX 1

Department	Total Savings 2016/17 and those from 2015/16 yet to be realised £ (number)	Realised schemes £ (number)	Schemes being implemented, but with slippage £ (number)	Schemes not fully developed or have failed £ (number)	Comments by the Head of Finance
Education	94,090 (3)	55,410 (2)	38,680 (1)	-	Savings relating to the "Education Contract and Employment Unit" has been expanded, and continues. Although the system has been operational from the beginning of April 2017, it is forecasted that the savings will be realised in 2018/19.
Schools	2,095,000 (1)	2,095,000 (1)	-	-	The 2016/17 savings have been realised.
Environment	656,480 (21)	656,480 (21)			All of the year's schemes have been realised.
Corporate Support	575,040 (16)	575,040 (16)	-	-	All of the year's schemes have been realised.
Finance	374,600 (17)	374,600 (17)	-	-	All of the year's schemes have been realised.
Economy and Community	801,280 (17)	801,280 (17)	-	-	All of the year's schemes have been realised.
Adults, Health and Wellbeing	1,559,220 (30)	1,559,220 (30)	-	-	All of the year's schemes have been realised.

Department	Total Savings 2016/17 and those from 2015/16 yet to be realised	Realised schemes	Schemes being implemented, but with slippage	Schemes not fully developed or have failed	Comments by the Head of Finance
	£ (number)	£ (number)	£ (number)	£ (number)	
Children and Families	753,000 (11)	753,000 (11)	-	-	All of the year's schemes have been realised.
Highways and Municipal	(2016/17) 1,934,100 (20) (2015/16) 40,000 (1)	1,934,100 (20)	- (40,000) (1)	-	All of the 2016/17 schemes have been realised, but there has been slippage with the 2015/16 scheme "Rationalise Recycling Banks". However, the Department is confident of realising this during 2018/19.
Consultancy	146,000 (4)	146,000 (4)	-	-	All of the year's schemes have been realised.
Corporate Management Team	-		-	-	No schemes programmed for 2016/17.
Cross-departmental	212,600 (3)	212,600 (3)	-	-	All of the year's schemes have been realised.
TOTAL	(2016/17) 9,201,410 (144) (2015/16) 40,000 (1)	9,162,730 (143)	38,680 (1) (40,000) (1)	-	In financial terms (£), 99.5% of the 2015/16 and 99.6% of the 2016/17 savings schemes have been realised. It is forecasted that the remaining two schemes will be realised during 2018/19.

OVERVIEW OF SAVINGS SCHEMES 2017/18 BY DEPARTMENT

APPENDIX 2

Department	Total Savings 2017/18 £ (number)	Realised schemes £ (number)	Schemes on track to be realised timely £ (number)	Schemes being implemented, but with slippage £ (number)	Schemes not fully developed or have failed £ (number)	Comments by the Head of Finance
Education	417,120 (5)	358,820 (4)	-	58,300 (1)	-	There was slippage in implementing the scheme "Reduced hours and / or introduce a fee for the care element within the free breakfast for primary school children", but it is forecasted that the savings will be fully realised shortly.
Schools	990,000 (1)	691,010 (1)	-	298,990 (1)	-	Following a Cabinet decision on 13 December 2016, the secondary schools proportion of this scheme, that is £298,990, is being bridged by the Council for two years.
Environment	962,480 (25)	946,150 (24)	-	16,330 (1)	-	Making satisfactory progress towards achievement, but some work is required to fully realise the savings from the "Closing of Frondeg Pwllheli buildings and Ffordd y Traeth Felinheli building" scheme.
Corporate Support	408,470 (11)	408,470 (11)	-	-	-	All of the year's schemes have been realised.
Finance	115,210 (9)	115,210 (9)	-	-	-	All of the year's schemes have been realised.
Economy and Community	848,210 (20)	848,210 (20)	-	-	-	All of the year's schemes have been realised.

Department	Total Savings 2017/18	Realised schemes	Schemes on track to be realised timely	Schemes being implemented, but with slippage	Schemes not fully developed or have failed	Comments by the Head of Finance
	£ (number)	£ (number)	£ (number)	£ (number)	£ (number)	
Adults, Health and Wellbeing	1,412,000 (29)	728,760 (22)	76,740 (2)	606,500 (9*)	-	On 13 March 2018, the Cabinet approved merging some schemes (that had previously been approved) into work streams that are achieving savings within the same budgets. The challenge of realising them remains, but a review of the position at the end of the 2017/18 financial year suggests that the Department has successfully managed their budget.
Children and Families	339,500 (4)	222,500 (3)	-	117,000 (1)	-	A substantial challenge to realise the financial savings from the “End to End” scheme has become apparent. I understand that a full report on the position is to be presented to the Cabinet shortly, to approve any changes to the profile and/or the forecasted savings sum.

Department	Total Savings 2017/18	Realised schemes	Schemes on track to be realised timely	Schemes being implemented, but with slippage	Schemes not fully developed or have failed	Comments by the Head of Finance
	£ (number)	£ (number)	£ (number)	£ (number)	£ (number)	
Highways and Municipal	1,831,450 (13)	1,587,450 (9*)	-	194,000 (4*)	50,000 (1)	Generally, the Department has made very satisfactory progress. A report was presented to the Communities Scrutiny Committee on 19 April regarding the "Reduction in the Frequency of the Municipal Grass Cutting and Collection" scheme (£50,000), where it may well be necessary to discover an alternative way of realising the saving. Further work needs to be done to fully realise the savings from four other schemes, and a report will be submitted to the Cabinet shortly regarding the largest of these schemes – "Recycling Centres" (£96,000).
Consultancy	105,000 (4)	105,000 (4)	-	-	-	All of the year's schemes have been realised.
Corporate Management Team	7,000 (1)	7,000 (1)	-	-	-	The scheme has been realised.
Cross- departmental	- 21,690	- 21,690	-	-	-	Over achievement adjustment.
TOTAL	7,414,750 (122)	5,996,890 (108*)	76,740 (2*)	1,291,120 (17*)	50,000 (1)	In financial terms (£), 81% of the year's savings schemes have been realised, and a further 1% are on track.

(*A proportion of schemes in more than one gateway)

OVERVIEW OF SAVINGS SCHEMES 2018/19 BY DEPARTMENT

APPENDIX 3

Department	Total Savings 2018/19 £ (number)	Realised schemes £ (number)	Schemes on track to be realised timely £ (number)	Schemes being implemented, but with slippage £ (number)	Schemes not fully developed or have failed £ (number)	Comments by the Head of Finance
Education	521,450 (3)	-	521,450 (3)	-	-	No problem is anticipated.
Schools	-	-	-	-	-	No schemes programmed for 2018/19.
Environment	154,970 (6)	15,000 (1)	139,970 (5)	-	-	No problem is anticipated.
Corporate Support	47,340 (2)	47,340 (2)	-	-	-	Both schemes realised.
Finance	40,000 (1)	40,000 (1)	-	-	-	The scheme has been realised.
Economy and Community	308,830 (3)	-	52,330 (2)	256,500 (1)	-	No problem is anticipated. The £256,500 is to come from the "Running the Leisure Facilities more efficiently" scheme, where the Department is confident of realising the savings on time.
Oedolion, Iechyd a Llesiant	645,000 (6)	-	645,000 (6)	-	-	On 13 March 2018, the Cabinet approved merging some schemes and re-profiling others. As a result, the Department is confident of being able to realise these on time.

OVERVIEW OF SAVINGS SCHEMES 2018/19 BY DEPARTMENT

Department	Total Savings 2018/19 £ (number)	Realised schemes £ (number)	Schemes on track to be realised timely £ (number)	Schemes being implemented, but with slippage £ (number)	Schemes not fully developed or have failed £ (number)	Comments by the Head of Finance
Children and Families	314,480 (2)	-	64,200 (1)	250,280 (1)	-	A substantial challenge to realise the financial savings from the "End to End" scheme has become apparent. I understand that a full report on the position is to be presented to the Cabinet shortly, to approve any changes to the profile and/or the forecasted savings sum.
Highways and Municipal	86,700 (1)	-	86,700 (1)	-	-	No problem is anticipated.
Consultancy	-	-	-	-	-	No schemes programmed for 2018/19.
Corporate Management Team	13,800 (1)	-	13,800 (1)	-	-	No problem is anticipated.
Cross-departmental	322,170	-	-	-	322,170	Further schemes have been developed but are yet to be approved.
TOTAL	2,454,740 (25)	102,340 (4)	1,523,450 (19)	506,780 (2)	322,170	Whilst very early into 2018/19, in financial terms (£), 4% of the year's schemes have been realised and 75% are on track.

Agenda Item 10

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	28 JUNE 2018
TITLE:	STATEMENT OF ACCOUNTS 2017/18
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 2017/18 financial year, which provides details of the Council's financial activities during the year which ended on 31 March 2018.
- 1.2 The following document is the draft Statement of Accounts in its statutory format, 78 pages long in each language. A link to the Statement was sent to all elected members and chief officers of the Council on 20 June 2018.
- 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 27 September 2018 meeting of the Audit and Governance Committee.
- 1.4 The basic form and content of these Statements is prescribed under the Accounts and Audit (Wales) (Amendment) Regulations 2018, 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 2017/18. 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 "outturn" reports relating to the 2017/18 accounts were presented to the Cabinet meeting on 22 May 2018 and to this meeting of the Audit and Governance Committee. That report 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 and Governance 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 and Governance Committee FOR INFORMATION as good practice.
- 2.3 Doubtless, the committee’s members will wish to consider and understand the content now, in preparation for approving the final version in September, and to equip themselves with information to consider relevant risks and other matters being audited in their context.

3. SUBSEQUENT STEPS

- 3.1 Further to certification by the Head of Finance and consideration by the Audit and Governance Committee, the 2017/18 Statement of Accounts, with all other relevant statements, will be the subject of the annual audit process by Deloitte, Gwynedd Council’s external auditors, who were appointed by the Auditor General for Wales.
- 3.2 In accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2018, 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, 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 2017/18 Statement of Accounts will be submitted to the 27 September 2018 meeting of the Audit and Governance Committee FOR APPROVAL, along with a report on behalf of the Auditor General for Wales.
- 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 and Governance Committee is asked to receive and note the Council’s Statement of Accounts (subject to audit) for 2017/18.

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NARRATIVE REPORT

Introduction

Gwynedd Council's accounts for the year 2017/18 are presented here on pages 8 to 76.

The Accounts consist of:-

- **Expenditure and Funding Analysis** – Whilst this is not a statutory statement, it shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.
- **Comprehensive Income and Expenditure Statement** - This is the Council's main revenue account. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Movement in Reserves Statement** - This statement shows the movement in year on the different reserves held by the Authority, analysed into 'usable reserves' and 'unusable reserves'. The taxation position is reflected in the Movement in Reserves Statement.
- **The Balance Sheet** - Sets out the financial position of the Council on 31 March 2018.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2017/18 for revenue and capital purposes.
- **The Welsh Church Fund and FMG Morgan Trust Fund Accounts.**

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

Gwynedd Council's Vision and Priorities

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

There are several elements to the Council Plan, including the Improvement Plan which outlines our improvement priorities, 7 well-being aims, and departmental plans which describes all the Council's day to day work. The plan is available at: <https://www.gwynedd.llyw.cymru/en/Council/Strategies-and-policies/Corporate-plans-and-strategies/Gwynedd-Council-Plan-2018-23.aspx>

Financial Strategy

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

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

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

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

2017/18 Performance

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

Financial Performance 2017/18

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

TABLE I – Budget and Actual Comparison Summary (Net)

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

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

	Budget	Actual	Variance
	£'000	£'000	£'000
Net Expenditure on Operations	246,014	246,271	257
Departmental Carry-forward at year-end	0	316	316
	<u>246,014</u>	<u>246,587</u>	<u>573</u>
Financed by -			
Council Tax Income	(77,050)	(76,608)	442
Share of National Non-Domestic Rate	(40,451)	(40,451)	0
General Government Grants	(128,513)	(128,513)	0
Contribution to the General Fund Balance		(1,015)	(1,015)
	<u>0</u>	<u>0</u>	<u>0</u>

- The Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement on pages 9 and 10 detail the analysis in movements for the year.

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

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

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

- **Material Items of Income and Expenditure**

Related items include:-

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

- **Other Issues**

- There have been unprecedented problems in the worldwide financial situation in recent years. Because of this general situation, it has been necessary for the Authority to take the circumstances into consideration in its financial plans, whilst maintaining a prudent level of reserves.
- Since the referendum on the UK’s membership of the European Union, there has been a degree of economic uncertainty. This is expected to last for some time and may affect some factors and financial decisions made by the Authority in 2017/18 and into the medium term.

Capital Expenditure in 2017/18

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

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

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

Provisions and Reserves

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

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

Pension Fund

The Council (as an employer) has a net liability from its share of the assets and liabilities of the Gwynedd Pension Fund, which has been calculated in accordance with International Accounting Standard 19. The Balance Sheet contains an assessment by the Fund's Actuary, Hymans, of the Council's share of the Pension Fund liability. This net liability has reduced by £8m to £227m in 2017/18. Refer to Note 38 for further information.

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

Governance

Gwynedd Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. Further information is included in the Governance Statement for 2017/18:

<https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Budgets-and-finance/Statement-of-Accounts/Gwynedd-Council.aspx>

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 to the Accounts on page 13.

Changes in Accounting Policies and to the Statement of Accounts

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

Further Information

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

Further information relating to the accounts is available from:

Ffion Madog Evans
Senior Finance Manager
01286 679133

or

Sian Pugh
Principal Accountant
01286 679134

Finance Department
Gwynedd Council
Council Offices
Caernarfon
Gwynedd
LL55 1SH

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

GWYNEDD COUNCIL

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

Gwynedd Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Gwynedd Council, that "Section 151 Officer" is the Head of Finance. It is also the Authority's responsibility to manage its affairs to secure economic, efficient and effective use of its resources, to safeguard its assets, and to approve the Statement of Accounts.

THE HEAD OF FINANCE'S RESPONSIBILITIES

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

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

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

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Council at 31 March 2018 and the Council's income and expenditure for the year then ended.



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

15 June 2018

EXPENDITURE AND FUNDING ANALYSIS

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

2016/17			2017/18			
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (see Note 8)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (see Note 8)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
82,153	0	82,153	Education	82,093	0	82,093
7,915	0	7,915	Corporate Support	7,843	0	7,843
5,745	0	5,745	Finance	5,855	0	5,855
6,554	0	6,554	Economy and Community	5,823	0	5,823
44,552	0	44,552	Adults, Health and Wellbeing	45,402	0	45,402
13,172	0	13,172	Children and Family Support	13,620	0	13,620
19,282	1,681	20,963	Highways and Municipal (including Trunk Roads*)	21,065	0	21,065
5,905	0	5,905	Environment	4,242	0	4,242
1,915	0	1,915	Corporate Management Team and Legal	1,879	0	1,879
224	0	224	Gwynedd Consultancy	(168)	0	(168)
15,706	21,865	37,571	Corporate	20,709	29,529	50,238
203,123	23,546	226,669	Cost of Services	208,363	29,529	237,892
20,466	694	21,160	Other Operating Expenditure	21,417	546	21,963
19,563	(7,253)	12,310	Financing and Investment Income and Expenditure	16,774	(4,625)	12,149
(241,598)	(9,288)	(250,886)	Taxation and non-specific grant income	(245,564)	(11,039)	(256,603)
1,554	7,699	9,253	(Surplus)/Deficit on Provision of Services	990	14,411	15,401
(54,933)			Opening General Fund Balance	(53,379)		
1,554			(Surplus)/Deficit on General Fund in year	990		
(53,379)			Closing General Fund Balance	(52,389)		

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

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

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

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

BALANCE SHEET

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

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

CASH FLOW STATEMENT

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

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

NOTES TO THE ACCOUNTS

NOTE I – ACCOUNTING POLICIES

I.1 General Principles

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

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

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

I.2 Accruals of Expenditure and Income

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

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

I.3 Cash and Cash Equivalents

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

I.4 Contingent Assets / Contingent Liabilities

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

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

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

NOTE I – ACCOUNTING POLICIES (continued)

1.5 Corporate

The Corporate heading includes items relating to corporate policy-making and member activities, and costs that relate to the general running of the Authority.

1.6 Employee Benefits

1.6.1 Benefits Payable During Employment

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

1.6.2 Termination Benefits

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

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

1.6.3 Post-Employment Benefits

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

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

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

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

1.6.4 The Local Government Pension Scheme

All other staff, subject to certain qualifying criteria, are entitled to become members of the Local Government Pension Scheme. The pension costs charged to the Authority's accounts in respect of this group of employees are determined by the fund administrators and 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 projected earnings for current employees.

NOTE I – ACCOUNTING POLICIES (continued)

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% calculated as a weighted average of 'spot yields' on AA rated corporate bonds.

The assets of the Gwynedd Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value as determined by the Fund's Actuary.

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

Service cost comprising:

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

Remeasurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Gwynedd Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities not accounted for as an expense.

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

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

1.6.5 Discretionary Benefits

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

NOTE I – ACCOUNTING POLICIES (continued)

1.7 Events After the Reporting Period

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

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

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.9 Financial Instruments

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

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

Financial liabilities

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

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

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

Financial assets

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

Financial assets are classified into two categories:

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

NOTE I – ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

The Local Authorities (Capital Financing and Accounting) (Wales) (Amendment) Regulations 2018 allow the effect of the restatement of financial instruments to be adjusted through the Movement in Reserves Statement and the resulting adjustments are shown in the Financial Instrument Adjustment Account and the Available-for-sale Financial Instruments Reserve on the Balance Sheet. The adjustment allowed by statute means that the net effect on the Council's balances is equivalent to the transfer under this policy.

1.10 Government Grants and Other Contributions

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

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

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

1.11 Heritage Assets

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

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

NOTE I – ACCOUNTING POLICIES (continued)

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

The Council considers that heritage assets held by the Council will have indeterminate life and high residual value; hence, the Council does not consider it appropriate to charge depreciation for the assets. Heritage assets recognised in the accounts will be assessed annually for any impairment – see policy 1.17.

1.12 Inventories and Long-Term Contracts

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

1.13 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. These properties are valued on a fair value basis. Values are based on specific techniques, and the inputs to these measurement techniques are categorised in accordance with three levels. All the Authority's inputs are level 3 (unobservable inputs for the asset). This is due to the level of adjustment required to all evidence due to the uniqueness of the assets, and the dearth of relevant market transactions.

1.14 Leases

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

The Authority as Lessee:

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

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

The Authority as Lessor:

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

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

1.15 Surplus Assets

The Authority classifies Surplus Assets separately on the Balance Sheet. These assets are shown at their fair value based on market value. Values are based on specific techniques, and the inputs to these measurement techniques are categorised in accordance with three levels. All the Authority's inputs are level 3 (unobservable inputs for the asset). This is due to the level of adjustment required to all evidence due to the uniqueness of the assets, and the dearth of relevant market transactions.

1.16 Overheads and Support Services

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

NOTE I – ACCOUNTING POLICIES (continued)

1.17 Long-Term Assets

The Council's assets as recorded on the Property Services database are revalued at least every five years. Since the 2015/16 financial year, the Authority has established a rolling programme for re-valuing different categories of these assets annually. This is in accordance with the Code and the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors.

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

Investment Properties are shown at fair value.

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

Infrastructure and community assets are shown at depreciated historical cost.

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

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

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

Impairment and Depreciation

Impairment

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

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

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

Depreciation

The main element of IAS 16 is that buildings must be depreciated if they are not valued each year. In addition, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. A de-minimis threshold, below which assets are disregarded for componentisation purposes, needs to be established, which is based on potential material impacts on the financial statements. For the 2017/18 financial year this has been set at 1% of the total value of the buildings. The apportionment to be considered for the non-land element of assets above the de-minimis threshold is:

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

NOTE I – ACCOUNTING POLICIES (continued)

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

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

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

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

Depreciation is not charged in the year of acquisition.

Minimum Revenue Provision

The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018 a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Welsh Ministers and local authorities are required to “have regard” to such Guidance under section 21(1B) of the Local Government Act 2003.

The four MRP options available are:

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

NB This does not preclude other prudent methods.

MRP in 2017/18: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Council chooses).

The MRP Statement was submitted to Council before the start of the 2017/18 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

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

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

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

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

NOTE I – ACCOUNTING POLICIES (continued)

1.18 Council Tax and National Non-Domestic Rates

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

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

1.19 Provisions

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

1.20 Reserves (and Balances)

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

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

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

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

1.21 Revenue Expenditure Funded from Capital Under Statute

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

1.22 Value Added Tax

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

1.23 Debtors and Creditors

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

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

1.24 Allocation of Interest Received

The Authority invests surplus funds for periods varying from overnight to 13 months (with the exception of Covered Bonds) and the interest is credited to the General Fund, Gwynedd Pension Fund, Welsh Church Fund and other trust funds based on the level of their daily balances and the rate of interest earned.

NOTE I – ACCOUNTING POLICIES (continued)

1.25 Borrowing Costs

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

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

1.26 Interest in Companies and Other Entities

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

1.27 Current Assets Held for Sale

In order for an asset to be recognised as Held for Sale, the asset must be available for immediate sale in its present condition, the sale must be highly probable, the asset must be actively marketed and the sale completed within one year from the date of classification. The asset is recognised at fair value (market value) less costs to sell on reclassification. Values are based on specific techniques, and the inputs to these measurement techniques are categorised in accordance with three levels. All the Authority's inputs are level 3 (unobservable inputs for the asset). This is due to the level of adjustment required to all evidence due to the uniqueness of the assets, and the dearth of relevant market transactions.

1.28 Disposal of Assets

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

1.29 Capital Receipts

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

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

1.30 Accounting for the Costs of the Carbon Reduction Commitment Energy Efficiency Scheme

The Authority is subject to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. Authorities participating in the scheme are required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. Gwynedd Council was below the relevant threshold in respect of 2017/18.

1.31 Landfill Allowances Scheme

The Landfill Allowances Scheme operates under the Landfill Allowances Scheme (Wales) Regulations 2004. Local Authorities are allocated annual allowances for the maximum amount of biodegradable municipal waste that can be sent to landfill. For each ton of biodegradable municipal waste sent to landfill in excess of the allowance a Local Authority may be liable to a penalty of £200 per ton. It is not a "cap and trade" scheme since landfill allowances are not tradable in Wales. For this reason, landfill allowances are not recognised as assets on the Balance Sheet. Gwynedd Council was within its landfill allowance in 2017/18.

1.32 Service Concession Arrangements

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

NOTE I – ACCOUNTING POLICIES (continued)

I.33 Joint Operations

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

I.34 Schools

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

I.35 Fair Value

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

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

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

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

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

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

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

I.36 Other Policies

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

- Intangible Assets
- Foreign Currency Conversion.

NOTE 2 – CHANGE IN ACCOUNTING POLICY

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

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments during 2017/18.

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

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires the expected impact of any accounting standards that have been issued but not yet adopted to be disclosed. This applies to the following new or amended standards within the 2018/19 Code:-

IFRS 9 *Financial Instruments*.

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

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

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

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

NOTE 5 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

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

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

The following items in the Authority's Balance Sheet at 31 March 2018 may be considered to be a significant risk (in terms of certainty in estimation of value), with the possibility of material adjustment in the forthcoming financial year:

- **Property, Plant and Equipment** – Assets are depreciated over their useful life in accordance with standard accounting and associated practices. Any difference between the depreciation applied and actual deterioration to assets will be naturally reflected in future spending patterns. The current economic climate brings with it uncertainties for councils in their ability to sustain the necessary spending on repair and maintenance. This obviously would have implications on asset life. Land and buildings are revalued at least every five years, and since 2015/16 a rolling programme of revaluation has been introduced. A number of judgements are required to be made as part of the revaluation and impairment assessment process. This brings with it uncertainties, and assumptions have to be made and responded to accordingly. Where necessary, any resultant long-term implications would be incorporated into our financial strategy. Information relating to Property, Plant and Equipment is contained in Note 15.
- **Provisions** – Various separate provisions, the basis of which have been individually assessed from the latest information available, are contained within these accounts as detailed in Note 22, and include provisions for items such as Waste Sites and certain insurance liability aspects. We are unable to confirm the accuracy of the provisions until such matters are concluded.
- **Pension Liability** – The Pension Liability position as contained within the accounts is based on a number of complex assessments and judgements and varying profiles such as discount rate used, projected salary levels, changes in retirement ages, mortality rates and expected returns on Pension Fund assets, as provided by Actuaries engaged by the Pension Fund. Further details are contained in Note 37 and 38.
- **Doubtful Debts Impairment** – A specific impairment level policy in respect of doubtful debts is contained within the accounts. The impairment level is reviewed regularly in order to respond to any changes in the economic climate, and necessary action taken as appropriate within the accounts to respond accordingly. Doubtful Debts impairments are contained within the figures for Short-Term Debtors contained in Note 18.

NOTE 7 – MATERIAL ITEMS OF INCOME AND EXPENSE

Material items of income and expense include the following:-

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

NOTE 8 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

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

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

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

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

(i) Adjustments for Capital Purposes

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

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

(ii) Net Change for the Pensions Adjustments

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

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

(iii) Other Differences

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

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

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

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

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

2016-17

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES

School Balances

This sum is represented by the element of balances released under the delegation of budgets directly to schools which remained unspent at the end of the financial year, and is a net increase of £1.1m as compared to the balance on 31 March 2017:

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

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

Earmarked Reserves

The note below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18, with a net reduction of £1.1m since the 31 March 2017 position.

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

Earmarked reserves closing balance as at 31 March 2018 does not reflect the level of commitments against them. Details are given below of the Council's main specific reserves.

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

- 10.1 The Renewals Reserves is used by the various departments of the Council to replace vehicles and equipment.
- 10.2 The Capital Reserves represents resources already committed to finance part of the Council's Capital Programme.
- 10.3 Gwynedd Council does not insure all risks with external insurers but instead it has established an internal reserve to meet those uninsured risks. The balance on the Insurance Reserves also includes an element relating to the relevant insurance requirements of the former Gwynedd County Council (pre 1996) and which is administered by Gwynedd Council.
- 10.4 The Services Fund represents the element of slippages and underspend that service departments have the right to carry forward for use in the subsequent financial year, other relevant specific budgets and one-off budgets that extend over more than one year.
- 10.5 Convergence Programme Fund - fund was created for additional capital or revenue costs which arise from the requirements to develop plans under the convergence programme.
- 10.6 Redundancy Costs to Realise Savings Reserve – provision for financing redundancy costs to realise budgetary savings.
- 10.7 Central Training – relates to the Council's staff training programme.
- 10.8 Education 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'.
- 10.9 The Economy and Community Reserves include a number of balances relating to schemes operating on a partnership basis mainly, where the scheme balances must be accounted for separately.
- 10.10 The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven income and expenditure (equalisation accounts) and likely requirements from contracts.
- 10.11 The Waste Development Reserve – includes our commitment to the North Wales Residual Waste Partnership.
- 10.12 Gwynedd Consultancy Reserves – includes amounts set aside to protect against situations of uneven expenditure on some works field and possible additional employment requirements resulting from changes in the Consultancy Service's work programme.
- 10.13 Environment Reserves – include a number of balances relating to Property, schemes operating mainly on a partnership basis, together with specific requirements relating to the Unitary Development Plan, and amounts for uneven expenditure situation.
- 10.14 Care Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- 10.15 Ffordd Gwynedd Fund – to aid the business transformation process, realise savings and assist the Council to achieve "Ffordd Gwynedd" aims and objectives.
- 10.16 Invest to Save Fund – Carbon Reduction Plan – partly funding the Carbon Reduction Plan programme of works to reduce carbon emissions whilst generating monetary revenue savings for the Council.
- 10.17 Transformation / Invest to Save Fund – for the Council's priorities and to transform internal procedures to be more effective and efficient, and to invest in various schemes to realise permanent financial savings.

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

- 10.18 Committed Revenue Grants Fund – includes revenue grants received and committed for future use.
- 10.19 Contracts Tendering Fund – in response to uneven spending situations as a result of the tendering process for transport.
- 10.20 Housing Water and Sewerage Services Fund – amounts reserved for requirements relating to sewerage procedures, water piping and sewage treatment work on old council housing estates, which were not adopted by Welsh Water.
- 10.21 Housing Environmental Warranty – reserved for possible implications as a result of giving environmental warranties to Cartrefi Cymunedol Gwynedd, in connection with specific and special circumstances that relate to environmental plans on the land of old council housing estates.
- 10.22 Information Technology Reserve – for responding to the demands in the information technology field, including a renewals fund and to respond to uneven patterns of expenditure.
- 10.23 Preparatory Work for European Grant Funding Schemes – provision towards the cost of preparing business cases to attract European funding sources and grants.
- 10.24 Supporting the Financial Strategy Reserve – a fund established to assist and support the Council’s financial strategy.
- 10.25 Welfare Fund - provision to respond to uneven patterns in the related requirements.
- 10.26 Partnering Arrangements – includes amounts allocated in relation to various requirements of partnerships and joint working.
- 10.27 North Wales Economic Ambition Board Fund - for the requirements and commitments of the economic promotion plan relevant to the North Wales Economic Ambition Board.
- 10.28 Liabilities Related to the Pension Fund – for various future requirements and commitments.
- 10.29 Council Tax Property Transfer Reserve – provision relating to the implications of properties transferring from Council Tax to National Domestic Rates.
- 10.30 Various Other Reserves – includes amounts set aside to meet a variety of other commitments.

NOTE 11 – OTHER OPERATING EXPENDITURE

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

NOTE 12 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

NOTE 13 – TAXATION AND NON-SPECIFIC GRANT INCOME

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

NOTE 13a - COUNCIL TAX

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

The Council Tax Base for 2017/18 was calculated as follows:-

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

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

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

NOTE 13b - NATIONAL NON-DOMESTIC RATES

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

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

The Government sets the National Non-Domestic rate for the year (49.9p in 2017/18) which is then multiplied by the rateable value of the property. Subject to the effects of transitional arrangements and some other reductions, this is the amount payable by the ratepayer.

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

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

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

NOTE 14 – BUILDING CONTROL INCOME AND EXPENDITURE ACCOUNT

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

The account is expected to break-even over a three-year rolling period, and this requirement is reviewed annually. There was a loss in 2017/18, but it can be seen that there is an accumulated surplus over the three-year period.

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

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Movements on Property, Plant and Equipment Balances

Movements in 2017/18:

	Land and Buildings £'000	Infrastructure £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total Property, Plant and Equipment £'000
Value							
Balance at 01.04.17	291,440	198,172	40,601	1,090	2,108	5,507	538,918
Additions	7,020	4,355	2,591	0	3	5,523	19,492
Sales	(3)	0	(2,604)	0	(166)	0	(2,773)
Transfers	2,211	0	0	0	405	(2,616)	0
Revaluation - to Revaluation Reserve	(4,703)	0	0	38	98	0	(4,567)
Revaluation - to Services	(1,277)	0	0	0	(181)	0	(1,458)
Balance at 31.03.18	294,688	202,527	40,588	1,128	2,267	8,414	549,612
Depreciation							
Balance at 01.04.17	4,790	39,215	23,511	10	2	0	67,528
Depreciation in year	5,024	5,330	3,864	1	2	0	14,221
Sales	0	0	(2,133)	0	(2)	0	(2,135)
Transfers	0	0	0	0	0	0	0
Revaluation	(3,417)	0	0	(11)	(3)	0	(3,431)
Balance at 31.03.18	6,397	44,545	25,242	0	(1)	0	76,183
Impairment							
Balance at 01.04.17	35,236	63	68	230	67	0	35,664
Impairment in year - to Revaluation Reserve	2,644	0	0	0	0	0	2,644
Impairment in year - to Services	4,033	0	0	0	9	0	4,042
Sales	0	0	0	0	(7)	0	(7)
Transfers	0	0	0	0	0	0	0
Revaluation	(9,532)	0	0	(1)	(60)	0	(9,593)
Balance at 31.03.18	32,381	63	68	229	9	0	32,750
Net Book Value	255,910	157,919	15,278	899	2,259	8,414	440,679
31 March 2018							
Net Book Value	251,414	158,894	17,022	850	2,039	5,507	435,726
31 March 2017							

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

Comparative Movements in 2016/17:

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

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

The Council's operational Land and Buildings were revalued by the Council's Corporate Property Manager (M.R.I.C.S) in accordance with the policies noted in section 1.17 of Note 1 of the Accounting Policies. Note that the Authority has established a rolling programme for revaluing different categories of these assets annually. Refer to this note also for the basis of depreciation on various categories of assets.

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

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

Capital Commitments

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

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

NOTE 16 – INVESTMENT PROPERTIES

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

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

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property nor for its repair, maintenance or enhancement.

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

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

NOTE 17 – FINANCIAL INSTRUMENTS

(a) Financial Instruments - Classifications

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

Financial Liabilities

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

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

- long-term loans from the Public Works Loan Board and commercial lenders
- Service Concession Arrangements (Private Finance Initiative (PFI)) contracts detailed in Note 42
- overdraft with Barclays Bank plc
- short term loans from other local authorities and housing associations
- finance leases detailed in Note 35
- trade payables for goods and services received

Financial Assets

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

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

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

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

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

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

Assets held at fair value through profit and loss comprising:

- equity investment in a local waste company

(b) Financial Instruments - Balances

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

Financial Liabilities	Long-Term		Short-Term	
	31 March	31 March	31 March	31 March
	2017	2018	2017	2018
	£'000	£'000	£'000	£'000
Loans at amortised cost:				
Principal sum borrowed	108,143	107,810	2,702	10,333
Accrued interest	0	0	633	532
Total Borrowing	108,143	107,810	3,335	10,865
Loans at amortised cost:				
Bank overdraft	0	0	30,035	45,538
Total Cash Overdrawn	0	0	30,035	45,538
Liabilities at amortised cost:				
Trade Payables	0	0	0	0
Finance Leases	1,993	1,851	0	0
Total other Long-Term Liabilities	1,993	1,851	0	0
Liabilities at amortised cost:				
Trade Payables	0	0	54,912	53,865
Finance Leases	0	0	134	142
Included in Creditors*	0	0	55,046	54,007
Total Financial Liabilities	110,136	109,661	88,416	110,410

* The short-term creditors line on the Balance Sheet includes £937,000 (£1,927,000 at 31 March 2017) creditors (Note 21) that do not meet the definition of a financial liability.

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

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

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

* The short-term debtors line on the Balance Sheet includes £18,068,000 (£22,547,000 at 31 March 2017) debtors (Note 18) that do not meet the definition of a financial asset.

Material Soft Loans

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

The fair values of such a soft loan are less than the amount of the cash lent. The fair value of a loan at nil interest rate or below the prevailing market rate is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument. The sum by which the amount lent exceeds the fair value of the loan is charged to the Income and Expenditure Statement. The 2017/18 Code of Practice sets out specific accounting and disclosure requirements for soft loans. During 2017/18 Gwynedd Council identified the following “soft loans”:

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

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

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

Offsetting Financial Assets and Liabilities

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

	2016/17			2017/18		
	Gross assets (liabilities)	(Liabilities) assets set off	Net position on Balance Sheet	Gross assets (liabilities)	(Liabilities) assets set off	Net position on Balance Sheet
	£'000	£'000	£'000	£'000	£'000	£'000
Bank accounts in credit	13,065	(13,065)	0	9,917	(9,917)	0
Total Financial Assets	13,065	(13,065)	0	9,917	(9,917)	0
Bank overdraft	(43,100)	13,065	(30,035)	(55,455)	9,917	(45,538)
Total Financial Liabilities	(43,100)	13,065	(30,035)	(55,455)	9,917	(45,538)

(c) Financial Instruments - Gains and Losses

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

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

(d) Financial Instruments - Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following assumptions:

- PWLB loans have been discounted at the published interest rates for new PWLB certainty rate loans with an identical remaining term to maturity arranged on 31 March.
- Other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

- No early repayment or impairment is recognised.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.
- In the case of deferred liabilities (such as finance leases) the Authority deems the carrying amount to be a reasonable approximation of the fair value.

	Carrying Amount 31 March 2017 £'000	Fair Value 31 March 2017 £'000	Carrying Amount 31 March 2018 £'000	Fair Value 31 March 2018 £'000
Financial Liabilities:				
Loans borrowed	(111,478)	(181,814)	(118,143)	(185,882)
Finance leases	(2,127)	(2,127)	(1,993)	(1,993)
Trade Payables	(54,912)	(54,912)	(53,865)	(53,865)
Total Financial Liabilities	(168,517)	(238,853)	(174,001)	(241,740)
Financial Assets:				
Long-term investments	2,171	2,171	17	17
Short-term investments	26,000	26,044	34,991	35,028
Trade Receivables	32,341	32,341	39,007	39,007
Total Financial Assets	60,512	60,556	74,015	74,052

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

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

(e) Financial Instruments - Risks

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

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

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

The main risks covered are:

- *Credit Risk*: The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk*: The possibility that the Council might not have the cash available to make contracted payments on time.

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. During 2017/18 these include commercial entities with a minimum long-term credit rating of A-, the UK government, and other local authorities without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

During 2017/18 a limit of 5% of the total portfolio was placed on the amount that can be invested with a single counterparty (reduced to £1m for some building societies and 2.5% for the RBS Group). The Council also set a total group investment limit of 5% for institutions that are part of the same banking group (reduced to 2.5% for the RBS Group). No more than £40m in total could be invested for a period longer than one year.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £33m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2018 that this was likely to crystallise.

During 2008/09 the Council made a deposit of £4m with Heritable Bank which was a UK registered bank under Scottish Law. The company was placed in administration on 7 October 2008. The Council has received a return of £3,938,407 equating to 98% from the administrators up to 31 March 2018. The administration is ongoing, but it is likely that the full amount should eventually be recovered.

The Council does not hold collateral security against any investments.

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

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

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

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

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

Trade Receivables

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

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

Liquidity Risk

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

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

Time to maturity (years)	31 March 2017	31 March 2018
	£'000	£'000
Less than 1 year	2,702	10,333
Over 1 but not over 2	333	2,236
Over 2 but not over 5	5,322	4,590
Over 5 but not over 10	17,613	17,128
Over 10 but not over 20	27,626	32,792
Over 20 but not over 30	13,697	7,511
Over 30 but not over 40	17,986	17,986
Over 40	9,367	25,567
Uncertain date*	16,200	0
Total	110,846	118,143

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

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

Market Risk: Interest Rate Risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2018, 100% of net principal borrowed (*i.e.* debt net of investments) was exposed to fixed rates and 0% to variable rates.

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

	1% higher £'000	1% lower £'000
Change in interest payable on variable rate borrowings	0	0
Change in interest receivable on variable rate investments	31	6
Impact on Surplus or Deficit on the Provision of Services	31	6
Change in fair value of fixed rate investment assets	0	0
Impact on Other Comprehensive Income and Expenditure	0	0
Change in fair value of fixed rate borrowings / liabilities*	(25,393)	25,393

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

Market Risk: Price Risk

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

The Council does not invest in equity shares and therefore is not subject to any price risk. The Council did have shares in a Local Authority Waste Disposal Company (LAWDC). Gwynedd and Ynys Môn Councils decided to terminate the arrangement in 2007/08 and to undertake the work in-house, with the relevant operational assets, liabilities and staff transferred to the Council in January 2008. The company was wound up in 2017/18 and the Council received £43,784.25 in respect of its share of the assets.

Market Risk: Foreign Exchange Risk

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

NOTE 18 – SHORT-TERM DEBTORS

	Debtors NET of impairment	
	31 March 2017	31 March 2018
	£'000	£'000
Welsh Government	28,921	30,423
Other Central Government Bodies	7,187	6,159
Other Local Authorities	2,608	2,761
National Health Service	2,594	2,980
Public Corporations and Trading Funds	18	46
Council Tax	1,846	1,932
Other Entities and Individuals	11,715	12,773
Total	54,889	57,074

NOTE 19 – CASH AND CASH EQUIVALENTS

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

In order to maximise the returns from Short-Term Investments and Cash Deposits, the Council invests any surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts and therefore a proportion of the above Short-Term Investments (Note 17) and the Call Accounts and Money Market Funds above represent money invested on behalf of the Pension Fund at the Balance Sheet date. As the Short-Term Investments are made in the name of Gwynedd Council, they are shown in full on the Balance Sheet. The Pension Fund element of the Short-Term Investments and Cash Deposits was £37m (£15.7m at 31 March 2017).

NOTE 20 – ASSETS HELD FOR SALE

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

NOTE 21 – SHORT-TERM CREDITORS

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

NOTE 22 – PROVISIONS

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

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

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

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

Third Party Claims Provision – relating to cases of third party claims against the Council in the Adults and Consultancy areas.

Municipal Mutual Insurance (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.

NOTE 23 – UNUSABLE RESERVES

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

23.1 Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

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

23.2 Available-for-Sale Financial Instruments Reserve

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

- Revalued downwards or impaired and the gains are lost.
- Disposed of and the gains are realised.

NOTE 23 – UNUSABLE RESERVES (continued)

2016/17 £000	2017/18 £'000
142 Balance 1 April	(17)
0 Upward revaluation of investments	0
(159) Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(153)
0 Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
(17) Balance 31 March	(170)

23.3 Capital Adjustment Account

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

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

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

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

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

NOTE 23 – UNUSABLE RESERVES (continued)

23.4 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require them to be deferred over future years.

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

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

The transactions reflected in the Financial Instruments Adjustment Account are as follows:

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

NOTE 23 – UNUSABLE RESERVES (continued)

23.5 Pensions Reserve

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

2016/17		2017/18
£000		£000
(178,332)	Balance 1 April	(235,413)
(51,322)	Remeasurements of the net defined benefit (liabilities) / assets	22,330
(26,259)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(41,757)
20,500	Employer's pensions contributions and direct payments to pensioners payable in the year	27,859
(235,413)	Balance 31 March	(226,981)

23.6 Accumulated Absences Account

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

2016/17		2017/18
£'000		£'000
(3,392)	Balance 1 April	(3,935)
(543)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	548
(3,935)	Balance 31 March	(3,387)

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

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

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

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

NOTE 24c – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

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

NOTE 25 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

NOTE 26 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

NOTE 27 – EXPENDITURE AND INCOME ANALYSED BY NATURE

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

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

NOTE 28 – AGENCY SERVICES

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

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

The Council also administers the North and Mid Wales Trunk Road Agency on behalf of the Welsh Government. The principal area of work is managing and maintaining the trunk road network in the North and Mid Wales Council's Partnership region that extends to 1,100 kilometres. The income transactions recovered during 2017/18 were £54.5m (£62.9m in 2016/17).

NOTE 29 – MEMBERS’ ALLOWANCES

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

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

NOTE 30 – OFFICERS’ REMUNERATION

30a. The Accounts and Audit (Wales) (Amendment) Regulations 2018 require the Council to disclose the following information relating to employees appointed as Senior Officers, and whose salary is between £60,000 and £150,000. In compliance with the defined requirements, the pensionable pay, employer’s pension contributions and other employer costs are included below (including termination benefits), but the employer’s national insurance contributions are excluded.

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

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

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

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

4) Part time post

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

NOTE 30 – OFFICERS' REMUNERATION (continued)

30c. Other Authority employees receiving more than £60,000 remuneration for the year (excluding employer's pension and national insurance contributions) were paid the following amounts but which include termination benefits paid in 2 cases in 2017/18 and 8 cases in 2016/17. These posts would not appear below except for the termination benefits paid in the individual year.

Number of other employees who received more than £60,000 and includes remuneration and termination benefits:						
Number in 2016/17				Number in 2017/18		
Schools	Other	Total		Schools	Other	Total
6	6	12	£60,000 - 64,999	9	2	11
4	1	5	£65,000 - 69,999	4	1	5
6	1	7	£70,000 - 74,999	7	0	7
2	0	2	£75,000 - 79,999	0	1	1
1	0	1	£80,000 - 84,999	2	0	2
0	1	1	£85,000 - 89,999	0	0	0
0	1	1	£90,000 - 94,999	0	0	0
1	0	1	£95,000 - 99,999	1	0	1
0	0	0	£100,000 - 104,999	0	0	0
0	0	0	£105,000 - 109,999	0	0	0
0	0	0	£110,000 - 114,999	0	0	0
0	0	0	£115,000 - 119,999	0	0	0
0	0	0	£120,000 - 124,999	0	0	0
0	0	0	£125,000 - 129,999	0	0	0
0	1	1	£130,000 - 134,999	0	0	0

NOTE 31 – EXTERNAL AUDIT COSTS

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

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

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

NOTE 32 – GRANT INCOME

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

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

NOTE 32 – GRANT INCOME (continued)

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

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

NOTE 33 – RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. To conform to the requirements, this is done by Members and Senior Officers completing a personal declaration, as defined in the CIPFA Code of Practice. One member of the Council did not return a personal declaration.

Welsh and Central Government

Welsh Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from the Welsh Government and other Government departments are set out in the subjective analysis in Note 27 which analyses expenditure and income by nature. The position as at 31 March is detailed in Note 32.

Members

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

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

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

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

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

Officers

Senior Officers (as defined) have declared as required and where appropriate an interest or relationship (as defined) in companies, voluntary, charitable, or public bodies which receive payments from the Council. A breakdown of the payments made to these bodies under this heading during 2017/18 and balances at 31 March 2018 is as follows:

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

Other Public Bodies

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

NOTE 33 – RELATED PARTIES (continued)

Welsh Joint Education Committee (WJEC)

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

Entities Controlled or Significantly Influenced by the Authority

Cwmni Cynnal Cyf. was established in 1996 to provide education support services under contract to maintained schools and the local education authorities as well as school inspection services to Estyn. The company is limited by guarantee and the Council's liability is limited to £1. The income of the company can only be applied towards promotion of its objectives. Copies of the financial statements are available from Cwmni Cynnal, Penrallt, Caernarfon, Gwynedd, LL55 1BN. Payments to Cwmni Cynnal during 2017/18 for services to schools and balances at 31 March 2018 are as follows:

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

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

NOTE 34 – CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

31 March 2017		31 March 2018
£'000		£'000
436,131	Non-current Assets and Assets held for sale	440,928
(71,974)	Revaluation Reserve	(76,405)
(187,120)	Capital Adjustment Account	(187,522)
177,037	Capital Financing Requirement	177,001

NOTE 34 – CAPITAL EXPENDITURE AND CAPITAL FINANCING (continued)

The movement in the year is explained as follows:

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

NOTE 35 – LEASES

Authority as Lessee

Finance Leases

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

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

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

NOTE 35 – LEASES (continued)

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

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

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

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

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

Operating Leases

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

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

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

NOTE 35 – LEASES (continued)

Authority as Lessor

Finance Leases

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

- The Sailing Academy in Pwllheli,
- Rhyd Ddu Centre

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

Operating Leases

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

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

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

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

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 £930,904 minimum lease payments were receivable by the Authority (£908,227 in 2016/17).

NOTE 36 – EXIT PACKAGES

The number of exit packages with total cost per band, and total cost of the compulsory and other redundancies are set out in the table below. The cost in the table below reflects the related package cost to the employer, rather than the actual value of the payments to the individuals. In accordance with the requirements the related commitments as known to the Council as at 31 March 2018 are included. Included below are the related gross costs but not the financial savings to the Council, where appropriate.

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

NOTE 37 – PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

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

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

NOTE 38 – PENSION COSTS

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

Gwynedd Council participates in two post-employment schemes:

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

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

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

Transactions Relating to Post-employment Benefits

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

NOTE 38 – PENSION COSTS (continued)

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

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

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

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

The actuary has provided a detailed breakdown of Fund assets in accordance with the requirements of IAS19. This analysis distinguishes between the nature and risk of those assets, and to further break them down between those with a quoted price in an active market and those that 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 2017. The split is shown in the table below. The actuary estimates the bid value of the Fund's assets as at 31 March 2018 to be £1.939m based on information provided by the Administering Authority and allowing for index returns where necessary.

NOTE 38 – PENSION COSTS (continued)

Fair Value of Employer Assets

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

Asset Category	At 31 March 2017				At 31 March 2018			
	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total		Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equity Securities								
Consumer	22,276	0	22,276	3	20,282	0	20,282	3
Manufacturing	20,119	0	20,119	3	22,403	0	22,403	3
Energy and Utilities	3,618	0	3,618	1	2,139	0	2,139	0
Financial Institutions	12,461	0	12,461	2	12,080	0	12,080	2
Health and Care	32,068	0	32,068	5	34,675	0	34,675	5
Information Technology	26,123	0	26,123	4	25,962	0	25,962	4
Other	1,780	0	1,780	0	2,355	0	2,355	0
Private Equity								
All	0	29,349	29,349	5	0	26,556	26,556	4
Debt Securities								
Other	0	81,166	81,166	12	0	99,269	99,269	14
Real Estate								
UK Property	14,275	35,476	49,751	8	15,953	36,155	52,108	8
Overseas Property	0	1,319	1,319	0	0	630	630	0
Investment Funds and Unit Trusts								
Equities	138,871	197,659	336,530	52	138,639	208,134	346,773	51
Bonds	0	0	0	0	0	0	0	0
Infrastructure	0	8,711	8,711	1	0	11,927	11,927	2
Cash and Cash Equivalents								
All	24,443	0	24,443	4	25,717	0	25,717	4
Total	296,034	353,680	649,714	100	300,205	382,671	682,876	100

Basis for estimating assets and liabilities

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

Both the Gwynedd Pension Scheme and Discretionary Benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries. Estimates for the Gwynedd Pension Fund were based on the latest full valuation of the scheme as at 31 March 2016. The significant assumptions used by the actuary in the following table have had a significant impact on the values of the assets and liabilities as follows:-

NOTE 38 – PENSION COSTS (continued)

	31 March 2017	31 March 2018
Financial Assumptions	% p.a.	% p.a.
Pensions Increase Rate	2.4	2.4
Salary Increase Rate*	2.4	2.4
Inflation Rate	2.4	2.4
Discount Rate	2.6	2.7
Long-term expected rate of return on all categories of assets	2.6	2.7
Take-up option to convert annual pension into retirement lump sum		
for pre-April 2008 service	50	50
for post-April 2008 service	75	75
Mortality assumptions	Years	Years
Longevity at 65 for current pensioners		
Men	22.0	22.0
Women	24.0	24.2
Longevity at 65 for future pensioners		
Men	24.0	24.0
Women	26.4	26.4

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2018 on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided in this note.

To quantify the uncertainty around life expectancy, the actuary has calculated the difference in cost to the Council of a one-year increase in life expectancy. For sensitivity purposes this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). The figures in the table below have been derived based on the membership profile of the Council as at 31 March 2016, the date of the most recent actuarial valuation. The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

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

NOTE 38 – PENSION COSTS (continued)

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

Impact on the Council's Cash Flows

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

The contributions paid by the Council are set by the Fund Actuary at each triennial valuation (the most recent being as at 31 March 2016), or at any other time as instructed to do so by the Administering Authority. The contributions payable over the period to 31 March 2020 are set out in the Rates and Adjustments certificate. For further details on the approach adopted to set contribution rates for the Council, please refer to the 2016 actuarial report dated 31 March 2017.

Information about the Defined Benefit Obligation

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

The above figures are for funded obligations only and do not include unfunded pensioner liabilities. The durations are effective at the previous formal valuation as at 31 March 2016.

Impact in Future Years

The total contributions expected to be made to the Local Government Pensions Scheme by the Council in the year to 31 March 2019 are £15.6m.

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

As the Actuary's report is based on estimates and due to timing issues, there is a variance of £1,632,772 in 2017/18 (£831,890 in 2016/17) 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 39 – CONTINGENT LIABILITIES

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

NOTE 39 – CONTINGENT LIABILITIES (continued)

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

- The capping and aftercare requirements for the Authority's landfill sites – the provision contained in the accounts is based on existing and known circumstances, in addition to relevant forecasts. However, the actual final cost may differ from the current estimated future cost.
- This Authority is exposed to a potential insurance liability relating to the insurance arrangements of its predecessor authorities, being Gwynedd County Council, Arfon Borough Council, Dwyfor District Council, and Meirionnydd District Council, and the closure of the Municipal Mutual Insurance (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. An initial levy of 15% of the payments made since 30 September 1992 was paid during 2013/14, and a further 10% was paid in 2016/17.

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

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

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

NOTE 41 – TRUSTS

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

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

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

NOTE 42 – SERVICE CONCESSION ARRANGEMENTS

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

The assets used to provide the service are recognised on the Authority's Balance Sheet. The value of the related assets was £3.7m as at 31 March 2018 (£4.0m as at 31 March 2017). The Authority makes an agreed payment (gate fee) each year based on a minimum amount of tonnage which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year. The Authority has the right to increase the amount of tonnages over the agreed 7,500 tons to a maximum of 11,000 tons, and will pay a reduced gate fee for anything over 7,500 tons.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Paid in 2017/18	498	134	131	763
Payable in 2018/19	498	142	123	763
Payable within 2 to 5 years	1,991	662	398	3,051
Payable within 6 to 10 years	2,489	1,085	241	3,815
Payable within 11 to 15 years	206	104	7	317
Total	5,682	2,127	900	8,709

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

The contractor receives income from energy that is generated from the waste which has enabled them to keep the unitary payment low for the Authority. If the income is higher than 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:

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

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

NOTE 43 – JOINT OPERATIONS AND JOINT COMMITTEES

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

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

- Joint Planning Policy Committee
- GwE
- North Wales Residual Waste Treatment Project (NWRWTP)

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

Joint Committee	Leading Council (for Finance)	Councils participating in the Joint Committees	Gwynedd Council's Share	Value of Gwynedd's Share (Income and Expenditure Account) £'000
Joint Planning Policy Committee	Gwynedd Council	Gwynedd Council Isle of Anglesey County Council	50%	311
GwE	Gwynedd Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council Wrexham County Borough Council	18%	722
North Wales Residual Waste Treatment Project	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council	20%	34

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

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

NOTE 44 – EVENTS AFTER THE BALANCE SHEET DATE

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

THE WELSH CHURCH FUND

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

NOTES TO THE ACCOUNTS

1. The Scheme for the administration of the Fund provides that the income be applied for charitable purposes - educational, recreational and social, at the discretion of the Council.
2. The Charities Act 1993 requires that an independent examination of the statement of accounts of the Welsh Church Fund be carried out annually.

FMG MORGAN TRUST FUND

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

NOTES TO THE ACCOUNTS

1. This Fund was set up from the residuary estate of the late Mrs. Florence Merthyr Guest Morgan. The income from the Fund was to be applied to aid residents of certain areas of Llŷn for specified purposes.
2. The investments are shown in the accounts at cost. The market value of the investments at 31 March 2018 was £347,947 (£351,416 at 31 March 2017).
3. The FMG Morgan Trust Fund is outside the provisions of the Charities Act 1993. No independent examination or audit is therefore required in respect of this trust fund.

Agenda Item 11

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	28 JUNE 2018
TITLE	GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2017/18
PURPOSE OF REPORT	TO PRESENT THE ANNUAL GOVERNANCE STATEMENT (INCORPORATING THE STATUTORY STATEMENT ON INTERNAL CONTROL) FOR 2017/18 TO THE AUDIT AND GOVERNANCE COMMITTEE FOR APPROVAL
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK
ACTION	TO APPROVE THE STATEMENT SO THAT IT CAN BE SIGNED BY THE COUNCIL LEADER AND THE CHIEF EXECUTIVE

1. INTRODUCTION – WHAT DOES THE AUDIT AND GOVERNANCE COMMITTEE NEED TO DO?

1.1 In order fulfil its duties as "those charged with governance", it is necessary for the Audit and Governance Committee to:

- **Consider the Draft Annual Governance Statement that appears in the appendix.**
- **Challenge the Senior Manager Revenues and Risk on the risk scores that have been identified, and the narrative that explains the justification for the score.**
- **Consider the action plan contained in the draft Annual Governance Statement.**
- **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 (Wales) Regulations 2014, which state:

The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk, and adequate and effective financial management.

The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control. The findings of the review must be considered by the members of the body meeting as a whole or by a committee.

Following the review, the body or committee must approve a statement on internal control prepared in accordance with proper practices. The relevant body must ensure that the statement accompanies any statement of accounts which it is obliged to prepare.

- CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (the "SORP").
- CIPFA / SOLACE Framework *Delivering Good Governance in Local Government (2016)*.

3. SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE GOVERNANCE ARRANGEMENTS

3.1 The Audit and Governance 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 and Governance 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 Annual Governance Statement summarises the results of the governance self-assessment, as updated by the Governance Arrangements Assessment Group, in a statement that tells the People of Gwynedd what our governance framework is, and how well it is working. The members of the Group are the Chief Executive, the Monitoring Officer, the Head of Corporate Support, two Corporate Support Senior Managers, the Senior Manager Revenues & Risk and the Risk & Insurance Manager.

3.3 The Audit and Governance 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.

4. IDENTIFYING GOVERNANCE RISKS

4.1 The Annual Governance Statement is based on the new CIPFA/Solace Framework that was published in 2016.

4.2 The new Framework identifies 7 Core Principles for Good Governance:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Source: CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*

- 4.3 The Principles are then divided further into several sub-principles.
- 4.4 In response to this new Framework, the Governance Arrangements Assessment Group has considered the Framework's Core Principles and Sub-principles and has created a Governance Risk Register, which will be part of the Council's Corporate Risk Register. The Governance Risk Register identifies risks in 22 areas of governance, noting the controls that the Council has in place to mitigate these risks.
- 4.5 Specific responsibility for these risks have been distributed across the Council as follows

Department	Number of risks
Environment	1
Corporate Support	9
Finance	4
Leadership Team and Legal	8
Total	22

- 4.6 The relevant department is responsible for assessing these risks continuously, with the Governance Arrangements Assessment Group keeping an overview of them.
- 4.7 As is usual in risk management arrangements, consideration is given to two factors when scoring the size of these risks:
- The **Impact** of the event if the risk were realised
 - The **Likelihood** of the risk being realised.

4.8 The Impact and Likelihood are given a score of 1 to 5, using the following scoring guidelines.

Impact

Score	Impact	Definition
5	Catastrophic	A catastrophic effect on any resident (e.g. loss of life) or a destructive effect on the life or well-being of many residents
4	Destructive	A destructive effect on the life or well-being of several residents (e.g. where the quality of life or the well-being of someone has been effected to the degree that they have an intense need for assistance to allow them to live their lives) or a very substantial effect on many residents
3	Very Substantial	A very substantial effect on the life or well-being of several residents (e.g. the effect means that their quality of life or well-being is substantially lower than would otherwise be expected for a Gwynedd resident) or a significant effect on a many residents
2	Significant	A significant effect on the life or well-being of several residents (e.g. an effect on life or well-being, but falling within the expected range of day-to-day life) or a visible effect on many residents
1	Visible	A visible effect on the life or well-being of some residents (e.g. the effect is visible but not significant to their well-being) or a marginal effect on many residents

- Several = 10s to 100s of residents
- Many = 1,000s to 10,000s of residents

Likelihood

Score	Likelihood	Definition
5	Happening now	The effect is to be seen now (i.e. it is happening)
4	Very likely	Very likely that it will be seen in the foreseeable future
3	Likely	A chance it may happen, but may not
2	Unlikely	The likelihood of it happening is low – but is still there
1	Very Unlikely	Very unlikely to happen

4.9 The Impact Score and Likelihood Scores are multiplied together to give a **Current Risk Score**, which are the risk scores based on the controls that are currently in place. The Risk Score is defined from very high to low as follows:

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

4.10 The Governance Statement notes the risk scores for the 22 risk areas. The assessment by departments and the Governance Arrangements Assessment Group concluded:

- Number of very high risks: 0
- Number of high risks:3
- Number of moderate risks: 10
- Number of low risks: 9

4.11 Where the current risk scores continue to be higher than the Council is willing to accept, further implementation steps have been identified and outlined in the Statement. However, it is emphasised that the majority of matters that have been highlighted in this systematic analysis have already been identified by the Council.

5. CHANGES SINCE THE 2016/17 STATEMENT

5.1 Each of the governance risks have been reviewed during the year. This is done by the responsible department as a first step, with the Governance Arrangements Assessment Group undertaking a quality assurance role.

5.2 The scores of three of the risks have changed during the year:

Risk	Previous score	Impact Score	Likelihood Score	Current Score	Comments
Inappropriate culture within the Council can hinder our ability to do the right things in the correct manner	16 (High)	Remain 4	Reduce from 4 to 3	12 (High)	Arrangements have developed significantly during 2017/18, with the <i>Ffordd Gwynedd at Work</i> course established as an integral part of the development of each manager. There is evidence that the culture is starting to filter through the whole Council, and the likelihood of seeing an inappropriate culture has diminished. Although there is still a chance that we will see this happening, it is not assessed as being very likely at the moment.
The Council's Information Technology assets not used to their full potential	6 (Moderate)	Increase from 2 to 3	Remain 3	9 (Moderate)	After further consideration, it was concluded that the impact score of 2 was too low. In accordance with the definitions set out above, failure to make proper use of IT can have a very substantial impact, rather than a significant one. The Governance Arrangements Assessment Group and the Finance Department have agreed the new rating.
Weaknesses in our performance management arrangements mean that we cannot take appropriate steps to achieve our purpose	6 (Moderate)	Remain 2	Reduce from 3 to 2	4 (Low)	There is evidence that the performance monitoring system has now embedded across all parts of the Council, and works effectively. It is currently unlikely that we will see weaknesses in the arrangements where it would not be possible to take appropriate action, suddenly.

6. RECOMMENDATION

6.1 The Audit and Governance Committee is requested to

- Consider the Draft Annual Governance Statement that appears in the appendix.
- Challenge the Senior Manager Revenues and Risk on the risk scores that have been identified, and the narrative that explains the justification for the score.
- Consider the action plan contained in the draft Annual Governance Statement.
- Approve the Statement, and recommend that the Council Leader and Chief Executive sign it.

ANNUAL GOVERNANCE STATEMENT

This statement meets with the requirement to produce an Internal Control Statement in accordance with Regulation 5 of the Accounts and Audit Regulations (Wales) 2014.

Part 1: SCOPE OF RESPONSIBILITY

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

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

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

Part 2: THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

Part 3: GOVERNANCE ARRANGEMENTS AND THEIR EFFECTIVENESS

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

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

Culture

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

Assessment:

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

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

The 6 day training programme for Service Managers on the principles of Ffordd Gwynedd (including robust performance management principles) was introduced in the Summer of 2017. The vast majority of Service Managers, as well as some other officers with a lead role to support and promote the culture, have already received training, whilst there is a specific plan in place to ensure that this training will be available continually for new managers in the future. This intensive training has not lead to results thus far, but early indications are heartening with encouragement for managers and their teams to undertake reviews within their own services. Intensive reviews receive the support of two consultants who focus on this work.

Current Risk Score:

Impact	Likelihood	Risk score
4	3	12

Conduct

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

Assessment:

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

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

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

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

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Lawfulness

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

Assessment:

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

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

Current Risk Score:

Impact	Likelihood	Risk score
3	1	3

Being open

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

Assessment:

Being open is essential for accountability and a healthy democracy.

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

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

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

Current Risk Score:

Impact	Likelihood	Risk score
2	1	2

Stakeholders

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

Assessment:

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

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

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

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

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

Collaboration also occurs at a county level with varied success.

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

Current Risk Score:

Impact	Likelihood	Risk score
3	4	12

Engagement

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

Assessment:

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

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

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

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

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

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

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Direction and vision

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

Assessment:

The Council's Plan 2018-23 was approved by the Full Council of Gwynedd on 8 March 2018. The new Plan this time includes our Well-being Statement, 7 Improvement Priorities and every Department Plan. A great effort was made to ensure that it is clear and easy to read and understand.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Sustainability

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

Assessment:

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

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

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Decisions

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

Assessment:

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

Current Risk Score:

Impact	Likelihood	Risk score
2	3	6

Planning Operations

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

Assessment:

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

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

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

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

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Reviewing Outcomes

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

Assessment:

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

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Property Assets

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

Assessment:

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

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

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

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Information Technology Assets

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

Assessment:

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

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

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

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

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Planning the Workforce

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

Assessment:

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

Difficulties in filling some senior posts within the Council suggest that there is a need to improve our ability to create progression, at least for senior posts. This has been identified as a basis to develop internal talent within the People Plan. Furthermore, there are recruiting difficulties for some posts in specific geographical areas within Gwynedd (e.g. care workers in Meirionnydd).

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

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

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Leadership

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

Assessment:

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

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

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

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

Current Risk Score:

Impact	Likelihood	Risk score
4	3	12

Risk Management

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

Assessment:

There has been recent work to develop one Corporate Risk Register for the whole authority, and in order to undertake this in parallel with a system where business units record barriers and go about trying to resolve those immediately, has started to show success.

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

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

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

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

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

Current Risk Score:

Impact	Likelihood	Risk score
5	2	10

Performance

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

Assessment:

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

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

The General Auditor will also observe our performance in different areas by publishing various reports and the Audit and Governance Committee is responsible for ensuring that any recommendations receive attention. Whilst reports include constructive criticism, the Council will try to implement the matters raised, but sometimes there may be conflict between what the Council feels should be addressed and some matters raised in terms of the effort required to be given to them, and the level of risk they represent. However, these examples are not numerous; there were no recommendations in the most recent report and in general the messages are positive.

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

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Internal Control

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

Assessment:

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

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

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

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

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

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Information

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

Assessment:

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

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

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

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

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

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Finance

Risk: Weaknesses when controlling public finance that entails that the Council's finance is not used and prioritised.

Assessment:

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

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

Current Risk Score:

Impact	Likelihood	Risk score
3	1	3

Accountability

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

Assessment:

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

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

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

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

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Assurance

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

Assessment:

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

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

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

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

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

Current Risk Score:

Impact	Likelihood	Risk score
2	3	6

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

Part 4: SIGNIFICANT GOVERNANCE ISSUES

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

HIGH RISKS

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

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

MEDIUM RISKS

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

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

Part 5: OPINION

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

DILWYN O. WILLIAMS
CHIEF EXECUTIVE, GWYNEDD COUNCIL

Cllr. DYFRIG SIENCYN
LEADER, GWYNEDD COUNCIL

DATE

DATE

MEETING	Audit & Governance Committee
DATE	28 June 2018
TITLE	Gwynedd Harbours' Final Accounts for the year ended 31 March 2018
PURPOSE	To submit – <ul style="list-style-type: none">• The Revenue Income and Expenditure Account Report for 2017/18 and• Statements of accounts return, duly certified, but subject to Audit
AUTHOR	Ffion Madog Evans, Senior Finance Manager
ACTION	Receive and Approve the Accounts

1. HARBOUR REPORTING REQUIREMENTS

- 1.1 The Harbours Act 1964 requires that Gwynedd, as a harbour authority, prepares an annual statement of accounts relating to harbour activities.
- 1.2 Gwynedd Harbours, due to its turnover not exceeding £2.5m is considered to be a small local government body as defined in the Accounts and Audit (Wales) (Amendment) Regulations 2018.
- 1.3 For a “small local government body”, completion of a statements of accounts return prepared by the Wales Audit Office satisfies the statutory requirement. It will be subject to a separate audit, but production of full statutory financial statements (complying with “IFRS” International Financial Reporting Standards) are not required.

2. 2017/18 ACCOUNTS

- 2.1 The Revenue Income and Expenditure Account for 2017/18 is submitted herewith as Appendix A in simple “outturn” format. The Harbours have an underspend of (£27,190), with the income showing a shortfall of £16,830 against a target of £192,950. Note that the target has been reduced by £50,000 in 2017/18 because of the permanent decrease in the demand for moorings.
- 2.2 The statements of accounts return for 2017/18 is submitted herewith as Appendix B, duly completed and certified prior to audit, by Dafydd L Edwards, the Statutory Finance Officer for the Harbours.

- 2.3 The accounts and return will be subject to imminent audit by Deloitte, Gwynedd Council's external auditors appointed by the Auditor General for Wales. Should any amendments be necessary following audit then a revised version will be presented to the Audit Committee in September.
- 2.4 Following Deloitte's audit and any required amendments, the Auditor General's representative will certify the return prior to 30 September 2018.
- 2.5 Appendix A relates to the revenue account only whereas the accounting statements in Appendix B incorporates both revenue and capital.

3. RECOMMENDATION

3.1 **The Audit Committee is asked to receive and approve the information in the appendices, i.e. : –**

- Revenue Income and Expenditure Account for 2017/18 – Appendix A
- Annual Return for the Year Ended 31 March 2018, subject to audit – Appendix B

Audit Committee

Cyngor Gwynedd Harbours' Report

Income and Expenditure Account 2017-18

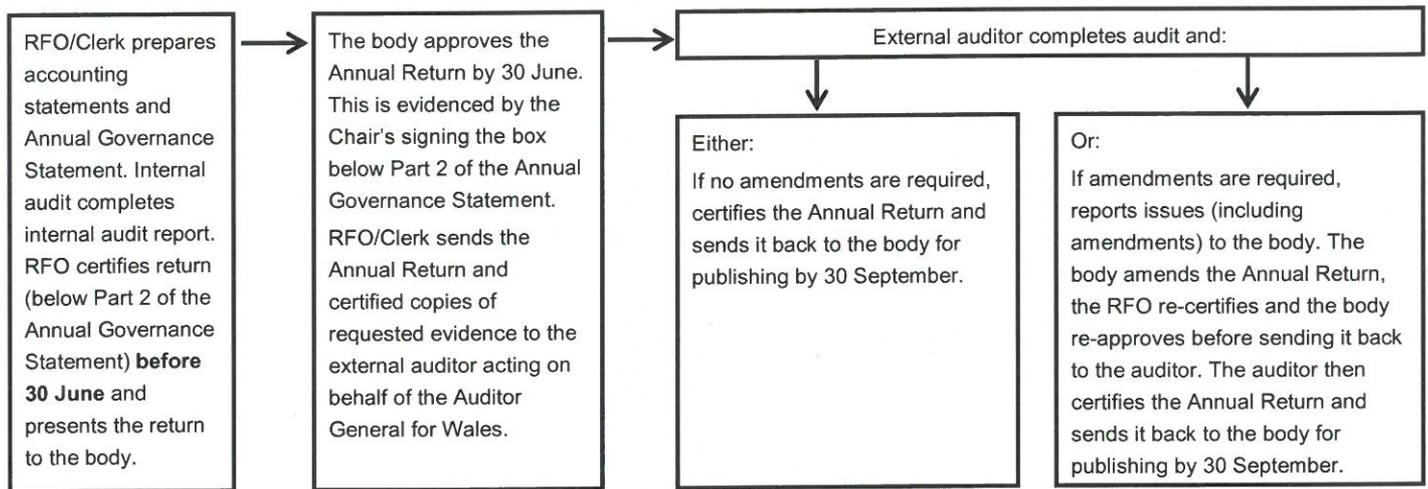
Expenditure	Budget 2017-18	Actual Expenditure for 2017-18	Variance Over (Under) spend
Employees			
Salaries	£182,470	£172,272	-£10,198
Training	£0	£468	£468
Insurance Liability	£810	£792	-£18
Other Miscellaneous	£2,300	£1,174	-£1,126
Buildings			
Maintenance	£54,140	£10,426	-£43,714
Equipment	£9,570	£1,496	-£8,074
Energy	£6,960	£13,059	£6,099
NNDR	£19,400	£19,399	-£1
Water Rates	£2,330	£2,882	£552
Crown Lease	£4,330	£2,600	-£1,730
Refuse Collection and Cleaning	£4,320	£4,123	-£197
Buildings Insurance	£450	£437	-£13
Transport			
Vehicle Running Costs (Including Boats)	£1,930	£807	-£1,123
Travel Expenses	£510	£665	£155
Supplies and Services			
Equipment - Including safety	£18,500	£25,994	£7,494
Underwater Inspections	£0	£3,870	£3,870
Signiges	£0	£6,454	£6,454
Clothes	£1,920	£2,558	£638
Boat Maintenance (finance from fund)	£3,000	£3,073	£73
Fees - Specialists	£6,570	£944	-£5,626
Licences	£600	£300	-£300
Office Supplies & Network costs	£4,970	£6,770	£1,800
Audit Fees	£720	£700	-£20
Insurance on Handling Cash	£2,530	£2,597	£67
Miscellaneous	£0	£3,855	£3,855
Central Support			
Central Reimbursement Costs	£28,440	£26,126	-£2,314
Total Expenditure	£356,770	£313,842	-£42,928
Income			
Fees and Rent	-£192,950	-£176,120	£16,830
Transfer from Specific Fund	£0	-£1,093	-£1,093
Total Income	-£192,950	-£177,213	£15,737
Net Expenditure	£163,820	£136,630	-£27,190

Smaller local government bodies in Wales Annual Return for the Year Ended 31 March 2018

Smaller local government bodies in Wales must prepare annual accounts following proper practices as set out in the One Voice Wales/SLCC publication **Governance and accountability for local councils in Wales – A Practitioners’ Guide** (the Practitioners’ Guide). The Practitioners’ Guide states that bodies may prepare their accounts in the form of an annual return prepared by the Wales Audit Office.

The accounts and audit process

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



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

PLEASE PRINT THIS DOCUMENT FOR SIGNATURE AND SEND IT TO YOUR AUDITOR

Incomplete or incorrect returns may require additional external audit work and incur additional costs. Send the **original** Annual Return, together with all additional information requested, to the external auditor acting on behalf of the Auditor General for Wales. Unless requested, please **do not** send any original financial or other records to the external auditor.

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

Completion checklist

'No' answers mean that you may not have met requirements		Done?	
		Yes	No
Initial submission to the external auditor			
Accounts	Has the RFO certified the accounting statements and the body approved the Annual Return (as evidenced by the relevant signatures), no later than 30 June 2018?	<input checked="" type="radio"/>	<input type="radio"/>
	Do the accounts add up and does the balance carried forward from last year equal the opening balance this year?	<input checked="" type="radio"/>	<input type="radio"/>
	Do the papers to be sent to the external auditor include an explanation of significant variations, including a quantified analysis of the changes from last year to this year?	<input checked="" type="radio"/>	<input type="radio"/>
	Does the bank reconciliation as at 31 March 2018 agree to line 9?	<input checked="" type="radio"/>	<input type="radio"/>
All sections	Have all red boxes been completed and explanations provided where needed?	<input checked="" type="radio"/>	<input type="radio"/>
Evidence	Has all the information requested by the external auditor been included?	<input checked="" type="radio"/>	<input type="radio"/>

Accounting statements 2017-18 for:

Name of body: **GWYNEDD COUNCIL HARBOURS**

	Year ending		Notes and guidance for compilers				
	31 March 2017 (£)	31 March 2018 (£)					
Statement of income and expenditure/receipts and payments							
1. Balances brought forward	0	0	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.				
2. (+) Income from local taxation/levy	122,217	131,100	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.				
3. (+) Total other receipts	179,018	176,120	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.				
4. (-) Staff costs	-157,467	-174,707	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg termination costs.				
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).				
6. (-) Total other payments	-143,769	-132,513	Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5).				
7. (=) Balances carried forward	0	0	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).				
Statement of balances							
8. (+) Debtors and stock balances	11,978	18,398	Income and expenditure accounts only: Enter the value of debts owed to the body and stock balances held at the year-end.				
9. (+) Total cash and investments	-6,174	-14,643	All accounts: The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.				
10. (-) Creditors	-5,804	-3,754	Income and expenditure accounts only: Enter the value of monies owed by the body (except borrowing) at the year-end.				
11. (=) Balances carried forward	0	0	Total balances should equal line 7 above: Enter the total of (8+9-10).				
12. Total fixed assets and long-term assets	483,534	476,912	The original asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.				
13. Total borrowing	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).				
14. Trust funds disclosure note	Yes <input type="radio"/>	No <input type="radio"/>	N/A <input checked="" type="radio"/>	Yes <input type="radio"/>	No <input type="radio"/>	N/A <input checked="" type="radio"/>	The body acts as sole trustee for and is responsible for managing (a) trust fund(s)/assets (readers should note that the figures above do not include any trust transactions).

Annual Governance Statement (Part 1)

We acknowledge as the members of the Council/Board/Committee, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2018, that:

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref	
	Yes	No*			
<p>1. We have put in place arrangements for:</p> <ul style="list-style-type: none"> effective financial management during the year; and the preparation and approval of the accounting statements. 	<input checked="" type="radio"/>	<input type="radio"/>	Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law.	6, 12	
<p>2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7	
<p>3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Council/Board/Committee to conduct its business or on its finances.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6	
<p>4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Has given all persons interested the opportunity to inspect and to ask questions about the body's accounts.	6, 23	
<p>5. We have carried out an assessment of the risks facing the Council/Board/Committee and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Considered the financial and other risks it faces in the operation of the body and has dealt with them properly.	6, 9	
<p>6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body.	6, 8	
<p>7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Council/Board/Committee and, where appropriate, have included them on the accounting statements.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6	
<p>8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23	
<p>9. Trust funds – in our capacity as trustee, we have:</p> <ul style="list-style-type: none"> discharged our responsibility in relation to the accountability for the fund(s) including financial reporting and, if required, independent examination or audit. 	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.	3, 6

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

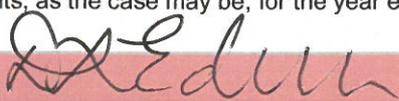
Annual Governance Statement (Part 2)

	Agreed?		'YES' means that the Council/Board/ Committee:
	Yes	No*	
1. We have considered the adequacy of reserves held by the body in setting the budget for 2017-18 and 2018-19 and have appropriate plans in place for the use of these reserves.	<input checked="" type="radio"/>	<input type="radio"/>	Has met the requirements of the Local Government Finance Act 1989 in setting the budget requirement and precept for the financial years.
2. When awarding grants under section 137 of the Local Government Act 1972, we have kept a separate account of such grants and considered whether or not the benefits arising from such payments are commensurate with the sums paid.	<input checked="" type="radio"/>	<input type="radio"/>	Has kept and appropriate record of grants awarded and ensured that the expenditure is commensurate with the benefit to the community.
3. The council has ensured that it has a lawful obligation to pay a service gratuity to employees* or The council has no obligation or intention to pay a gratuity to employees.*	<input checked="" type="radio"/>	<input type="radio"/>	Has ensured that where it has an arrangement to provide a gratuity to staff, it has ensured that there is a legal obligation to provide the gratuity.

* Please delete as appropriate.

Council/Board/Committee approval and certification

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

Certification by the RFO	Approval by the Council/Board/Committee
I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council/Board/ Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2018.	I confirm that these accounting statements and Annual Governance Statement were approved by the Council/Board/Committee under minute reference:
RFO signature: 	Chair signature:
Name: DAFYDD L. EDWARDS	Name:
Date: 25/05/2018	Date:

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

Certification by the RFO	Approval by the Council/Board/Committee
I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council/Board/ Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2018.	I confirm that these accounting statements and Annual Governance Statement were approved by the Council/Board/Committee under minute reference:
RFO signature:	Chair signature:
Name:	Name:
Date:	Date:

Auditor General for Wales' Audit Certificate and report

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

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2018 of:

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External auditor's report

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

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

Other matters and recommendations

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

(Continue on a separate sheet if required.)

External auditor's name:

External auditor's signature:

Date:

For and on behalf of the Auditor General for Wales

* Delete as appropriate.

Annual internal audit report to:

Name of body: **GWYNEDD COUNCIL HARBOURS**

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The Council/Board/Committee's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2018.

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

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
8. Asset and investment registers were complete, accurate, and properly maintained.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
9. Periodic and year-end bank account reconciliations were properly carried out.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
11. Trust funds (including charitable trusts). The Council/Board/Committee has met its responsibilities as a trustee.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Insert text

For any risk areas identified by the Council/Board/Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:					
	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
12. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
13. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
14. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

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

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

[My detailed findings and recommendations which I draw to the attention of the Council/Board/Committee are included in my detailed report to the Council/Board/Committee dated _____.] * Delete if no report prepared.

Internal audit confirmation

I confirm that as the Council's internal auditor, I have not been involved in a management or administrative role within the body or as a member of the body during the financial years 2016-17 and 2017-18. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit: Luned Fôn Joones
Signature of person who carried out the internal audit: 
Date: 14/05/2018

Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. For guidance, please read the Practitioners' Guide (**Governance and accountability for local councils: A Practitioners' Guide (Wales)**) – available from One Voice Wales and SLCC. It contains everything you need for the financial year-end and the statutory audit.
2. The Wales Audit Office Good Practice Exchange (www.audit.wales/good-practice/finance/community-council-money) provides further information on the accounts and audit process along with guidance on governance matters.
3. Make sure that the Annual Return is fully completed ie, no empty red boxes. Please avoid making any amendments to the completed return. If this is unavoidable, cross out the incorrect entries, make sure the amendments are drawn to the attention of the body, properly initialled and an explanation for them is provided to the external auditor. **Please do not use correction fluid.** Annual returns that are incomplete or contain unapproved and/or unexplained amendments or correction fluid will be returned unaudited and may incur additional costs.
4. **There are now two boxes for certification and approval by the body. The second box is only required if the annual return has to be amended as a result of the audit. You should only complete the top box before sending the form to the auditor.**
5. Use a second pair of eyes, perhaps the Chair or a member, to review your Annual Return for completeness before sending the original form to the auditor.
6. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2017) equals the balance brought forward in the current year (line 1 of 2018). Explain any differences between the 2017 figures on this annual return and the amounts recorded in last year's annual return.
7. Explain fully any significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a detailed analysis to support your explanation and be specific about the values of individual elements making up the variances.
8. Make sure that the copy of the bank reconciliation you send to your auditor with the Annual Return covers **all** your bank accounts and cash balances. If there are no reconciling items, please state this and provide evidence of the bank balances. If your Council holds any short-term investments, please note their value on the bank reconciliation. The auditor should also be able to agree your bank reconciliation to line 9 in the accounting statements. More help on bank reconciliation is available in the Practitioners' Guide*.
9. **Every** small body is now required to send to the external auditor, information to support the assertions made in the Annual Governance Statement. Your auditor will tell you what information you need to provide. Please read the audit notice carefully to ensure you include all the information the auditor has asked for. You should send **copies** of the original records (certified by the Clerk and Chair as accurate copies) to the external auditor and not the original documents themselves.
10. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
11. If the auditor has to review unsolicited information, repeat a request for information, receives an incomplete bank reconciliation or explanation of variances or receives original documents that must be returned, the auditor will incur additional costs for which they are entitled to charge additional fees.
12. **Do not complete the Auditor General for Wales' Audit Certificate and report.** The external auditor completes this on behalf of the Auditor General for Wales on completion of the audit.
13. **Please deal with all correspondence with the external auditor promptly.** This will help you to meet your statutory obligations and will minimise the cost of the audit.
14. **Please note that if completing the electronic form, you must print the form for it to be certified by the RFO and signed by the Chair before it is sent to the auditor.**