



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

AUDIT AND GOVERNANCE COMMITTEE

Date and Time

10.00 am, THURSDAY, 30TH JULY, 2020

Location

Virtual Meeting

Contact Point

Lowri Haf Evans

01286 679878

Lowrihafevans@gwynedd.llyw.cymru

(DISTRIBUTED 22/07/20)

AUDIT AND GOVERNANCE COMMITTEE

MEMBERSHIP (19)

Plaid Cymru (10)

Councillors

Aled Ll. Evans
Huw Gruffydd Wyn Jones
W. Gareth Roberts
Vacant Seat - Plaid Cymru

Aled Wyn Jones
Berwyn Parry Jones
Paul John Rowlinson

Charles Wyn Jones
Peredur Jenkins
Gethin Glyn Williams

Independent (5)

Councillors

John Brynmor Hughes
Dewi Wyn Roberts
Angela Russell

Richard Medwyn Hughes
John Pughe Roberts

Llais Gwynedd (1)

Councillor
Alwyn Gruffydd

Gwynedd United Independents (1)

Councillor
Vacant Seat - Gwynedd United Independents

Individual Member (1)

Councillor
Sion W. Jones

Lay Member

Mrs Sharon Warnes

Ex-officio Members

Chair and Vice-Chair of the Council

A G E N D A

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT ITEMS

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

4. MINUTES

5 - 12

The Chairman shall propose that the minutes of the meeting of this committee, held on February 13th 2020, be signed as a true record.

5. GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2019/20

13 - 37

To consider the report

6. FINAL ACCOUNTS 2019/20 - REVENUE OUTTURN

38 - 65

To consider the report

7. STATEMENT OF ACCOUNTS 2019/20

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To consider the Head of Finance's Report

8. GWYNEDD HARBOURS' FINAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020

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To consider the report

9. TREASURY MANAGEMENT 2019/20

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To consider the report

10. 2020 AUDIT PLAN - GWYNEDD COUNCIL

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To consider the report

11. FINANCIAL SUSTAINABILITY ASSESSMENT - GWYNEDD COUNCIL

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To consider the report

12. OUTPUT OF THE INTERNAL AUDIT SECTION	211 - 237
To consider the report of the Audit Manager	
13. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2019/2020	238 - 252
To consider the Audit Managers Report	
14. DRAFT INTERNAL AUDIT PLAN 2020/21	253 - 260
To consider the report of the Audit Manager	

AUDIT AND GOVERNANCE COMMITTEE 13/02/20

Present: Councillor John Brynmor Hughes (Chair)

Councillors: Aled Ll. Evans, R Medwyn Hughes, Peredur Jenkins, Aled Wyn Jones, Berwyn Parry Jones, Edgar Wyn Owen, Dewi Wyn Roberts, John Pughe Roberts and Paul Rowlinson.

Lay Member: Sharon Warnes

Others invited: Councillor Ioan Thomas (Cabinet Member – Finance)

Officers: Dafydd Edwards (Head of Finance Department), Ffion Madog Evans (Senior Finance Manager), Dewi Morgan (Assistant Head of Finance - Revenue and Risk), Luned Fôn Jones (Audit Manager) and Annes Sion (Democracy Team Leader).

Also in Attendance:

In relation to item 6 on the agenda: Dilwyn Williams (Chief Executive)

In relation to item 6 on the agenda: Delyth Jones-Thomas (Investment Manager)

In relation to item 13 on the agenda: Iwan Evans (Head of Legal Service / Monitoring Officer) and Sion Huws (Senior Solicitor)

1. APOLOGIES

Apologies were received from Councillors Huw Wyn Jones, Charles Wyn Jones and Angela Russell.

2. DECLARATION OF PERSONAL INTEREST

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

3. URGENT ITEMS

None to note

4. MINUTES

The Chair signed the minutes of the previous meeting of this committee that took place on 28 November 2019, as a true record.

5. BUDGET 2020/21

The report was submitted by the Cabinet Member for Finance which outlined the budget for 2020/21. It was expressed that the work of planning the budget had commenced in

June, and that projections in July had highlighted the need for savings schemes. It was explained that savings schemes had been discussed at the Scrutiny Committees over the past few months and that a number of savings schemes had reduced as some schemes were contentious. It was explained that the budget had been discussed in a series of workshops where all members were invited and the report would be submitted to the Cabinet on 18 February.

The Head of Finance Department added that the budget would be submitted to the Full Council at the beginning of March. It was explained that the draft settlement was better than what had been anticipated and covered inflation. However, it was stated that the draft settlement was insufficient to meet the additional demand on services in the care field. It was noted that the final settlement would be announced by the Government on 25 February.

The Additional Expenditure requirements table was discussed and attention was drawn to the main headings. In terms of Salary Inflation, it was expressed that there would be a salary increase of over 2% in line with the national projection, along with an increase in the employers pension contribution to the Teachers' Pensions Scheme. It was noted that the Pension Fund had received better than expected returns in recent years and, as a result, the Council would not contribute as much as an employer into the Fund next year. It was expressed that the net figure for schools indicated different positions in different sectors, with a reduction in the number of pupils in primary schools but an increase in the number of pupils in secondary schools. Attention was drawn to the Discontinuation of Specific Grants, noting that the Government funded schemes with grants and then noting that grants would not continue in the following year, and in the case of the child care preventative grant, the money would not be transferred to the settlement either, and the Council, as a result, would need to provide the funding. Attention was drawn to the bids seen under the Pressures on Services heading noting that the level of service in the care departments highlighted the additional demand for services. It was explained that there was a bid for the Homelessness Service, and if an additional grant would be proposed for this field, it was stated that it would be possible to withdraw the bid. It was stated that the budget noted that staff collective agreement adjustments would be abolished completely this year.

Attention was drawn to the Budget Setting table which highlighted the Council's spending needs, and it was explained that the financial deficit would be met by raising Council tax by 3.9%. It was elaborated by stating that the Council Tax increase rate in Gwynedd over the years had been lower than the Welsh average. It was stated that a good consensus had been highlighted at the Budget Workshops held, and the recommendation had been supported by the majority of Council members following these discussions.

The Head of Finance Department added that Council's balances had been a key instrument which allowed the Council to wait and see the grant settlement situation, before even considering any level of savings above the £2 million. It was explained that balances had bought time and had avoided scaremongering about cuts that were not required for 2020/21. It was added that keeping the balances would allow the use of the same tactics again for the 2021/22 budget. He stated that no Medium Term Strategy had been submitted with the budget this year, as there was uncertainty about the future in advance of the Westminster Government Chancellor's budget that would be announced on 11 March. He confirmed that the budget for 2020/21 was balanced.

Members were given an opportunity to ask questions and offer observations. During the discussion, the following main points were highlighted:

- The Head of Finance was asked about Transfers to the Settlement and Discontinuation of Specific Grants and he elaborated on what exactly

these were. In terms of transfers to the settlement, it was noted that these were continuing grants but that the funding would be transferred to the Council's general grant along with relevant responsibilities. It was highlighted that there were some specific grants where the Council was expected to commit to additional expenditure and that the Council was expected to provide funding when the grants ended.

- It was asked why Housing Schemes in the capital programme was halving in 2021/22. It was stated that it was inconsistent and slipped from year to year.
- Concern was noted about many specific grants in the care field from Welsh Government, noting that there were no specific schemes for the future.
- It was highlighted that the budget was clear and officers from the Finance Department were thanked for their work and support.

RESOLVED to note and accept the report.

6. CAPITAL STRATEGY 2020/21 (TO INCLUDE INVESTMENT AND BORROWING STRATEGY)

The report was submitted by the Investment Manager noting that the presentation was on the 2020/21 capital strategy. It was added that it provided an overview of the expenditure and how risks were being managed. Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions was highlighted noting that it stated a total of £49 million but that it included £5m due to a change in the accounting for leases. The main projects were noted, which included

- Capital Bids £2.0m
- Residential Homes £1.5m
- Housing Strategy £4.2m
- 21st Century Schools £1.5m

It was stated that all capital expenditure would need to be financed, either from external sources, the Council's own resources or debt, and attention was drawn to the table which noted how it would be financed. In terms of Treasury Management, it was stated that there was not much change as the Council did not take out long-term loans.

It was explained that the report was very technical and that a presentation had been received by the Arlingclose company, the Council's Treasury Management Consultants, and it was stated that the Investment Manager was asking the Committee to accept the report, to note the information and relevant risks and to support the intention of the Cabinet Member to submit the strategy to the Full Council.

Members were given an opportunity to ask questions and offer observations. During the discussion, the following main points were highlighted:

- It was highlighted that Schemes of the Capital Programme for Road, Bridges and Municipal were increasing over the coming years and it was asked what was the reason for this. It was stated that the scheme was for a 10 year period and that some projects would not commence for a few years.

RESOLVED to accept the report and the intention of the Cabinet Member to submit the strategy to the Full Council for approval was supported.

7. REVENUE BUDGET 2019/20 - END OF NOVEMBER REVIEW

The report was submitted by the Senior Finance Manager, noting that the report highlighted some signs of difficulties with achieving savings. It was stated that some departments were overspending and these were discussed individually.

Adults, Health and Well-being Department - it was stated that latest forecasts suggested over £1.8 million of overspend by the department. It was added that overspend would be partly alleviated to £658k following the receipt of a grant and use of one-off funding.

Children and Supporting Families Department - it was noted that the level of overspend in the department had intensified further to £3.2 million with £2.6 million in the field of placements, with a substantial proportion of overspend resulting from out-of-county placements. It was added that a Budget Taskforce had been established to address financial issues in the department, and it was stated that an additional £1.8 million would be available for the Children's Department in order to meet additional pressures.

Highways Department - it was stated that overspend continued in the area of waste collection and disposal this year, noting that transitional costs before moving to new arrangements had led to the overspend.

Attention was drawn to corporate underspend with favourable forecasts of additional Council Tax yield and Council Tax Premium yield. Despite this, it was highlighted that there was a continued trend of back-dating transfers from Council Tax to Non-domestic Rates. It was also emphasised that the number claiming Council Tax reductions was at its lowest level for the fourth year in succession. The Cabinet's decision was noted as follows:

Resolved to:

- Accept the report on the end of November 2019 review of the Revenue Budget, and consider the latest financial situation regarding the budgets of each department/service.
- Note that there is significant overspend by the Adults, Health and Well-being Department this year, as complex details need to be clarified in Adult care, the Chief Executive has already called a meeting of the relevant officers and commissioned work to obtain a better understanding and a clear response programme. To try and address overspend in future, an additional resource has been allocated as part of the bidding process for the 2020/21 budget.
- Note that a Children's Budget Taskforce has been commissioned by the Chief Executive to address the complex financial issues of the Children and Families Department in order to get to the root of the overspend, with the intention of presenting a report to the Cabinet which will detail the response plan. To try and address overspend in future, an additional resource has been allocated as part of the bidding process for the 2020/21 budget.
- On Corporate budgets, that:
 - (£198k) yield on Council Tax Premium added to the £2.7 million that has already been allocated in 2019/20 is considered for the Housing Strategy.
 - (£75k) relating to capital costs be allocated to the capital programme fund.
 - (£500k) of Corporate underspend be allocated to fund the lack of grant in the area of sustainable social services.

- (£312k) be used to fund one-off bids that have been presented by the Departments for the purpose of 2020/21 expenditure.
- The balance of (£502k) goes to the Council's general balances.

Members were given an opportunity to ask questions and offer observations. During the discussion, the following main points were highlighted:

- In terms of School Transport in the Education Department, it was asked whether or not the department was examining the reasons for the overspend. The Chief Executive noted that there were many reasons for the overspend which included children not settling in schools and resulting in them attending other schools. It was emphasised that the conclusions of the review highlighted the need for the department to be more challenging and to consider different methods of offering transport and it was stated that the Chief Executive had asked two departments to consider joining forces to see whether it would be possible to come to a conclusion and to undertake the work efficiently. It was asked whether a review had been undertaken and it was stated that some contracts were expensive but that the department was examining each case on an individual basis.
- When examining the overspend of the Children and Supporting Families Department, it was asked whether a discussion was being held with other counties as out-of-county problems were common across north Wales. It was stated that an internal taskforce had been set up due to the lack of systems and the overspend which had resulted from a lack of savings schemes. Due to the nature of the service, it was added that there was a need to examine what would be possible and regional solutions were part of the schemes and that out-of-county placements had initiated collaboration.
- It was stated that the care field was an annual problem and that the solution was not easy. It was added that Councils across Wales faced these problems and that there were serious cases within communities. It was emphasised that matters were not being discussed seriously on a national level and that there was a need to accept that demand in the care field was increasing annually. It was emphasised that it was not possible to cut these services but instead there was a need to ensure that the fields were working effectively.

RESOLVED to accept the report.

8. CAPITAL PROGRAMME 2019/20 - END OF NOVEMBER REVIEW

The report was submitted noting that it had been submitted to the Cabinet on 21 January. It was noted that an analysis by Department of the £89m capital programme for the 3 years was included in the report. It was added that this showed an increase of approximately £1.3 million since the previous review. Attention was drawn to the main findings namely that firm schemes were in place to invest approximately £31 million in 2019 on capital projects, with 41% of it being financed by attracting grants. It was added that an extra £9.2 million of proposed expenditure had been re-profiled from 2019/20 to 2020/21 but no loss of funding had been caused to the Council.

The additional grants the Council had attracted were noted, which included:

- £541k - Expansion of 21st Century Schools grant schemes

- £286k - Welsh Government grant towards the Llŷn Land and Sea Project
- £128k - Regional Development Fund grant to develop Plas Heli
- £120k - Local Transport Fund grant from Welsh Government towards various schemes
- £58k - Welsh Government grant towards schemes in the Llŷn Area of Outstanding Natural Beauty
- £29k - Welsh Government grant towards Free Swimming schemes.

Members were given an opportunity to ask questions and offer observations. During the discussion, the following main points were highlighted:

- It was stated that the capital programme adapted from year to year.

RESOLVED to accept the information.

9. SAVINGS OVERVIEW 2019/2020 - PROGRESS ON REALISING SCHEMES

The report was submitted by the Senior Finance Manager noting that the report summarised the savings position following the Cabinet's discussion on the Performance Reports. It was noted that £32m worth of savings had been approved since 2015/16 and that £28.4m of these schemes had been realised. Significant risks were highlighted to the savings of the End to End Review by the Children and Supporting Families Department, but it was added that the Children's Budget Task Group had been commissioned to address the Department's financial issues, including this field.

Two risks by the Adults Department to realise savings were highlighted and that the Education Department had proposed alternative schemes. It was stated that there was a slippage in the savings of the Housing and Property Department and that the department needed to examine alternative schemes.

It was noted that 22 of 121 schemes this year were slipping. It was stated that finding savings had been challenging and difficulties had arisen but that savings were inevitable.

RESOLVED to accept the information.

10. OUTPUT OF THE INTERNAL AUDIT SECTION

The report was submitted by the Audit Manager noting that the report summarised the work of the Internal Audit section for the period from November 2019 to 31 January 2020. It was added that there were 12 Reports on Audits from the Action Plan and one grant audit. The table setting out the audits from the plan that had been completed during the period was highlighted, indicating the relevant assurance level.

Attention was drawn to the Post-16 Grant audit noting that local authorities were required to provide evidence of appropriate expenditure of the allocations in respect of sixth forms and adult continuing education. It was stated that the information and related check-lists had been submitted to Welsh Government within the deadline.

It was noted that new arrangements had been established for follow-up audits. On 31 January 2020, there was acceptable implementation on 64% of the agreed actions to mitigate high/very high risks and 70% of the agreed actions to mitigate medium / low risks.

Attention was drawn to Arrangements for Returning Equipment - "Limited" assurance level. A Committee member stated that a lack of arrangements to return the Council's ID cards could be problematic. It was stated that a check-list was required but that it was the responsibility of individuals to return their ID cards. It was emphasised that support was needed for managers in order to strengthen consistency and management.

A discussion was held on the Appointment and Cost of Supply Teachers - Secondary - Satisfactory Assurance Level. It was noted that many unqualified teachers were appointed as supply teachers. It was enquired whether or not the responsibility for this fell on the Council or the Schools or Governors. A further discussion at the Education Scrutiny Committee meeting was requested.

Harbours' Health and Safety was examined which had a "Satisfactory" Assurance Level. In terms of risk assurance, it was enquired whether it was increasing or reducing. It was stated that some time had passed since these were last examined and as a result, it was not possible to draw comparisons. It was noted that the Audit Service would bear this in mind in future.

Attention was drawn to the Padarn Park Safety Measures noting that the Maritime and Country Parks Service believed that the Emergency Plan was not practical anymore considering the size of the site and that it was open for 24 hours a day. It was emphasised that practical emergency plans were required that would encompass all of the rural parks.

RESOLVED to accept the report.

11. INTERNAL AUDIT PLAN 2019/20

The report was submitted by the Audit Manager and a summary of the plan's work was provided. It was noted that 17 audits had been postponed and, as a result, amendments had been made to the current plan. Of the 51 individual audits in the 2019/20 plan, it was stated that 31 had been released acceptably. It was emphasised that it was inevitable that amendments would be made to the plan to reflect the long-term sickness of a Senior Auditor and the time of a Senior Auditor in assisting the Snowdonia National Park Authority.

The audits were highlighted and it was resolved to cancel them. These included Safeguarding Arrangements, School Funds and Information Technology Systems.

RESOLVED to note the update on progress against the 2019/20 audit plan.

12. DRAFT INTERNAL AUDIT PLAN 2020/21

The report was submitted by the Audit Manager who noted a draft plan of the Internal Audit section's work for 2020/21. In order to ensure that the correct matters were reviewed, it was stated that consideration had first been given to the Corporate Risk Register, Gwynedd Council's Strategic Plan and any other significant developments. In doing so, it was explained that it had been possible to prepare an initial draft plan, which had been discussed with each Head of Department.

It was stated that there were approximately 711 days of audit resources to complete the 2020/21 audit plan.

Members were given an opportunity to ask questions and offer observations. During the discussion, the following main points were highlighted:

- It was noted that it was important for Brexit to be reviewed as there was a need to explore arrangements in terms of suppliers, for example.
- It was emphasised that School Playing Fields were a high risk.

RESOLVED to approve the draft Audit Plan for the period 1 April 2020 to 31 March 2021.

13. REVIEW POLLING DISTRICTS AND POLLING PLACES

The report was submitted by the Head of Legal Services noting that Local Authorities were required to review each polling district and polling place every five years. It was added that this process was a continuous process within the Council and he added that a further review of polling arrangements would be undertaken in light of the recent review of the Boundary Commission for Wales.

It was stated that the review had adhered to the process and a public notice of the review had been issued and copies had been sent to potential interested parties. When contacting, it was explained that it would be helpful, where concerns were expressed about a particular polling station, that suggestions were also made for an alternative venue. It was stated that six responses had been received which highlighted concerns about two stations as they were not ideal in terms of access for the disabled. Despite the concerns, it was added that respondents recognised the shortage of appropriate alternative places at this time. It was noted that there were some minor amendments in terms of the review - some regarding new locations.

Members were given an opportunity to ask questions and offer observations. During the discussion, the following main points were highlighted:

- In terms of the Boundary Commission, it was enquired whether there was a clear timetable for a decision. It was stated that there was no clear timetable but the informal understanding was that an Order would be in place by the summer.
- It was enquired who was responsible for assessing places as the building in Dolgellau was unsuitable. It was stated that they had not received information about this station and that it would be possible to look into the matter.

RESOLVED to accept the report and results and to recommend that they are included for submission to the Council.

The meeting commenced at 10:00 and concluded at 12:15

CHAIRMAN

Agenda Item 5

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	30 JULY 2020
TITLE	GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2019/20
PURPOSE OF REPORT	TO PRESENT THE ANNUAL GOVERNANCE STATEMENT (INCORPORATING THE STATUTORY STATEMENT ON INTERNAL CONTROL) FOR 2019/20 TO THE AUDIT AND GOVERNANCE COMMITTEE FOR APPROVAL
AUTHOR	DEWI MORGAN, ASSISTANT HEAD (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 Assistant Head of Finance (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, Assistant Head (Revenues & Risk), Assistant Head of Corporate Support, Assistant Head (Supporting Families), the Risk & Insurance Manager and the Council Business Service Support 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	Medium 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:1
- Number of medium risks: 11
- Number of low risks: 10

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 2018/19 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 score of one of the risks has changed during the year:

Risk	Previous score	Impact Score	Likelihood Score	Current Score	Comments
<u>Reviewing Outcomes</u> Failure to review the outcomes of our actions, which means that we do not learn lessons by continuing to do the same things incorrectly	9 (Medium)	Remain 3	Reduce from 3 to 2	6 (Medium)	When reviewing the scores, a view was taken that there are now mechanisms within the Council (e.g. arrangements for holding performance monitoring meetings) that make it more likely that we will learn lessons about the outcomes of the Council's actions.

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 Assistant Head (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 (Wales) Measure 2009 to make arrangements to secure continuous improvement in the exercise of its functions, having regard in particular to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

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 2020 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, the Assistant Head (Revenue and Risk), Assistant Head of Corporate Support, Assistant Head (Supporting Families), the Risk and Insurance Manager and the Council Business Service Support Manager.
- 3.2 As a result of the publication of a new version of the CIPFA/SOLACE Framework - *Delivering Good Governance in Local Government* in 2016, the Group has adapted the Council's arrangements for identifying and assessing its governance arrangements in order to reflect the new Framework. Consequently, the local framework was set out in the form of a Governance Risk Register that is part of the Corporate Risk Register, identifying 22 areas of governance risks.
- 3.3 An outline is given of the Governance Areas, the relevant risks and the Council's arrangements to deal with these, and the effectiveness of these arrangements, in the remainder of this section of the Annual Governance Statement.
- 3.4 For each Governance Risk, a current score is shown, which is the score following an objective assessment of the control arrangements that are currently in place. Consideration is given to two factors:
- The **Impact** of the risk in the event of it being realised
 - The **Likelihood** that it will occur.
- 3.5 Impact scores vary from 1 (Visible impact) to 5 (Catastrophic impact), and the Likelihood scores from 1 (very unlikely) to 5 (occurring now). The risk score is calculated by multiplying the impact score and the likelihood score.
- 3.6 The comparative level of the risks is calculated as follows:

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

- 3.7 Since March 2020, to the date of publication of the 2019/20 Statement of Accounts, the Council has been responding to the Covid-19 pandemic crisis. Where this has had a significant and visible impact on the council's governance arrangements, this has been noted below.

Culture

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

Assessment:

We have assessed that this is currently a **High** risk, because:

- An appropriate culture can promote all aspects of governance noted in the register and, in the same manner, an inappropriate culture can hinder all aspects of governance.
- If the culture is correct, this can dominate everything else that affects our ability to achieve as the principles of good governance are an inevitable part of the day-to-day conduct of each individual within the establishment. The Ffordd Gwynedd Strategy notes that one of the Council's main aims is to place the people of Gwynedd at the heart of everything we do. In reality, this also describes the Council's values - namely anything that is in keeping with that objective.
- The six-day training programme for Service Managers on the principles of Ffordd Gwynedd (including robust performance management principles) was introduced in the summer of 2017. Each service manager has now followed this training and an action plan for the year 2019/20 ensures that this training has been available for new managers as well as potential managers for the future. The Managers' Network has been re-established and has held its first series of meetings in March 2019. The early signs are reassuring, with the encouragement for managers and their teams to undertake reviews within their own services rather than the previous focus on undertaking intensive reviews. There is a significant progress in general but evidence remains that that progress is not consistent across the Council.
- The Ffordd Gwynedd Plan and work programme for the 2019-2022 period were adopted by the Cabinet on 23 July, 2019. The plan identifies nine areas that we will focus on in order to further embed the "way of working". With a view of ensuring that everyone is clear about the behaviours that are expected of them, a new job description was circulated to each manager/senior manager outlining the expected behaviours from them and generic content was agreed for a new job description for heads and assistant heads of departments. A consultation is ongoing on the final generic content of job descriptions for team leaders and staff in general.

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:

We have assessed that this is currently a **Low** risk, because:

- 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.
- There is clear evidence that the Council gives due 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:

We have assessed that this is currently a **Low** risk, because:

- 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.
- These arrangements have not changed during the period of the pandemic.

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:

We have assessed that this is currently a **Low** risk, because:

- Only the minimum of Committee reports are exempt
- 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.
- Many 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:

We have assessed that this is currently a **Medium** risk, because:

- The willingness of public sector bodies, including Gwynedd Council, other neighbouring unitary councils, the Police, the Health Board, the third sector and others to co-operate for the joint delivery of public services can have a significant, visible impact for the People of Gwynedd.
- Work has been undertaken to create a Well-being Plan and the relationship between organisations has matured.
- The Council is committed to the Public Services Board
- However, members have questioned if the Board has yet discovered the place where the true value that is available has been maximised
- The Board's Plan is consistent with the Council's Plan.
- 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 number of people. There are some examples of success (e.g. Ambition Board).
- There is also collaboration taking place at county level with varying success. Our relationship with the Third Sector continues to evolve and we try to ensure that we use that relationship to maximise the benefits that can flow from that to the people of Gwynedd. This journey will continue with the relevant departments continuing to develop the relationship.
- During the pandemic period there has been a marked enthusiasm among volunteers to help our communities, and the Council has been active in trying to assist those groups to succeed.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Engagement

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

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- 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.
- The purpose of the Council’s Engagement Strategy is to ensure that the Council receives the views of the public and other stakeholders as appropriate, with the Communication and Engagement Unit supporting services to consult using a suitable method and to give support in analysing the results.
- The County was divided into eight well-being areas and the residents of those areas were consulted in preparing the assessment of well-being. The well-being areas have been used as a basis for early discussions on the Council's Plan in October 2017, and it is possible to analyse data and consultations on the basis of these areas as well.
- The Engagement Handbook had been reviewed in 2018 in order to ensure compliance with new performance management arrangements.
- New arrangements have been established to engage specifically with young people of Gwynedd in the light of the work on reviewing the Youth Service. There were two significant corporate exercises ("the people's priorities" and "Gwynedd Council's financial strategy") during 2018/19 and 14 services supported were to engage with their users. These exercises were used to:
 - Strengthen the Council’s ability to hold two-way conversations with “hard to reach” cohorts (young people, LBGT+ people, ethnic minorities, refugees, adults with learning disabilities etc);
 - Identify steps to strengthen and improve the Guidance and the Engagement Toolkit;
 - Undertake an audit of the ability of departments to engage and establish joint arrangements with the Research and Information Service to ensure that the service level projects that are supported

meet the Council's engagement principles (clear purpose and output, practicable timetable, accessibility, commitment to report back on the findings etc).

- Engagement with local areas has been instrumental as the Council supports the recovery of communities following the pandemic with the intention of further extending the concept when drawing up Area Regeneration Plans in future.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Direction and vision

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

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- The Council is effective in setting its priorities and managing expectations because of the culture of concentrating on what is important to the people of Gwynedd, with the performance measures that are used across all services derived from this.
- The Council's Plan 2018-23 (2020/21 review) was approved by the Full Council of Gwynedd on 5 March 2020. The Plan includes our Well-being Statement, seven Improvement Priorities and every departmental plan. A great effort was made to ensure that it is clear and easy to read and understand.

Current Risk Score:

Impact	Likelihood	Risk score
3	2	6

Sustainability

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

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- The Council has acknowledged the importance of acting in accordance with the Well-being of Future Generations Act and, jointly with its partners on the Public Services Board, has done initial work to identify what needs to be done to operate in accordance with the five principles - Long term, Prevention, Integration, Collaboration and Involvement.
- The Council is already complying with all the principles but to different degrees. We have introduced an explanation of the principles of the Act to the Management Group who have agreed that the best way to embed is that Departmental Management Teams pay attention to the principles when planning ahead. It is recognised that an assessment is needed if this way is successful or not. Reports coming before Cabinet are submitted in advance to the Corporate Support Department for review to keep track of places where the principles may not have been followed as well as they could be. By doing this we hope that we will embed the principles naturally rather than ticking boxes but time will tell if we will be successful. The principles involve the inclusion of all segments of society, and the Council already has appropriate arrangements in place to ensure that we improve our provisions for certain protected characteristics.

- By now, we had intended to assess the extent to which this embedding is really happening but because of the pandemic that work has not started. Audit Wales is also undertaking a piece of work to assess this and we will need to consider the extent to which that report provides us with direction in moving forward.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Decisions

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

Assessment:

We have assessed that this is currently a **Low** risk, because:

- Over the last few years there is evidence that Gwynedd Council is willing to take difficult or unpopular decisions, e.g. schools, externalising Council houses, acting on the difficult results of the Gwynedd Challenge, changing the Youths arrangements and taking steps to ensure implementation principles within Education.
- A Cabinet meeting, on 31 March 2020, had to be cancelled due to the pandemic. Since then, the Cabinet has met virtually through video conferencing software in accordance with the Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020.
- The Council was not able to hold its Annual Meeting in May 2020 in accordance with the original timetable. This will take place in accordance with the Regulations.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Planning Operations

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

Assessment:

We have assessed that this is currently a **Low** risk, because:

- The Council strives to maintain a suitable balance between Project Management procedures and working efficiently.
- The Council tries 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.
- There is an element of evidence that there remains a need to improve the communication between the Cabinet and the body responsible for co-ordinating the scrutiny.

Current Risk Score:

Impact	Likelihood	Risk score

2	2	4
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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:

We have assessed that this is currently a **Medium** risk, because:

- 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	2	6

Property Assets

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

Assessment:

We have assessed that this is currently a **Low** risk, because:

- A new Asset Strategy for the 10 year period from 2019/20 to 2028/29 has been developed and was approved by the full Council on 07/03/2019.
- 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:

We have assessed that this is currently a **Medium** risk, because:

- Over the years, Information Technology activities have focussed 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 Ffordd Gwynedd Plan 2019-2022 states that the Information Technology support is key to strengthening the capacity of services to deliver alternative approaches which will then lead to better and easier provision for the people of Gwynedd. The Council's response to the pandemic saw a significant change in the actions of a number of departments, including a significant increase in

working from home – which would not have been possible without rapid and decisive implementation by the Information Technology Service.

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:

We have assessed that this is currently a **Medium** risk, because:

- The People Plan has evolved over the last twelve months to work jointly with a project around Identifying and Developing Talent i.e. identifying gaps in the existing workforce and in the future and then attract and develop internally and externally the talent needed.
- The People Plan prioritises improving arrangements for nurturing talent within the Council, enhance our workforce planning arrangements, and to ensure that our learning arrangements and development focuses on the necessary things.

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:

We have assessed that this is currently a **Medium** risk, because:

- 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 scheme of delegation, 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 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 head and manager within the Council. The commitment at the political and executive level demonstrates that these positive steps have borne fruit and that the need and the ability to lead is embedded as the norm within the Council. In light of all this, this work is considered

to be something that continues to be is key, but with the recognition that it is not as great a risk as it has been in the past.

- To reflect that, this work has been incorporated within the Ffordd Gwynedd Plan work programme rather than being a stand-alone project although a specific project continues to have a high improvement priority in relation to Women in Leadership within the Council.

Current Risk Score:

Impact	Likelihood	Risk score
4	2	8

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:

We have assessed that this is currently a **Medium** risk, because:

- There are strong arrangements for monitoring our compliance with certain types of operational risks, such as Health and Safety, Safeguarding Children and Adults and Emergency Planning and Business Continuity. There is quantitative evidence that performance in these areas is improving-although there are examples of room for further improvement.
- Each risk in the Corporate Risk Register has been considered from the perspective of the risk to the people of Gwynedd, not from the Council's introverted point of view.
- The Council's risk management arrangements continue to develop, and they will evolve further as the Ffordd Gwynedd culture permeates the Council. Recent work to develop a corporate risk register for the whole authority, and to do so hand-in-hand with arrangements where business units record obstacles and actively try to resolve those immediately, is beginning to show success.
- The Covid-19 pandemic has been a significant test for the Influenza Pandemic Plan and for the Council's service continuity plans. We immediately saw what happened with any such plan, that there were things that were not addressed in the plan. For example, the flu pandemic plan did not envisage that society itself would be locked down and there would be a need to cope not only with staff absences but also with staff all working from home.
- However, a response was achieved and the comparatively lower incidence of cases than predicted in the original projection; the limiting of the number of deaths and the fact that the Council has been able to continue to deliver its Priority 1 services is evidence of this.

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:

We have assessed that this is currently a **Low** risk, because:

- The Council's Performance Management system focusses on ensuring that business units achieve their purpose and this is done by continuously reviewing 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 areas of responsibility to Cabinet meetings. However, it is noted that this arrangement was postponed in spring 2020 due to the pandemic.
- The Auditor General also observes our performance in different areas by publishing various reports and the Audit and Governance Committee takes an overview that any recommendations receive attention.
- 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. The Complaints and Service Improvement Services has been able to continue to take action to address public concerns and support services throughout the pandemic period.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Internal Control

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

Assessment:

We have assessed that this is currently a **Low** risk, because:

- The Audit Manager’s annual report confirms that the Council’s internal controls can be relied upon.
- Reviewing and adapting internal controls so that they are proportionate to what is necessary is central to the goal of placing the people of Gwynedd at the centre of to everything we do, by removing overly bureaucratic tasks. The removal of barriers is part of everyone's work, leading to a suitable level of internal control.
- 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.
- Gwynedd Council’s Audit and Governance Committee 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.
- It is noted that the Audit and Governance Committee meetings in May 2020 and June 2020 have been postponed due to the pandemic, but will continue to fulfil its statutory duties in respect of the statement of accounts by meeting virtually as required in July and September 2020.

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:

We have assessed that this is currently a **Medium** risk, because:

- The ERDMS system, iGwynedd, has now rolled out to everyone in the Council and is a foundation for sharing information more effectively, reducing duplication and enabling fewer stages in processes.
- The Research and Information Team supports departments in using information to make decisions with a focus on the highest priorities in the Council plan.
- There is a continuing need to raise awareness about Data Protection principles, and improving the approach in the field. This work continues. In particular, much work has been done to prepare for the arrival of new data protection legislation.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Finance

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

Assessment:

We have assessed that this is currently a **Low** risk, because:

- 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
- Despite this, the pandemic has had a significant impact on the Council's financial position. It was reported to the Cabinet meeting on 19 May 2020 that the situation was a fragile one with income reduced and expenditure increased during the emergency period. The Council's income loss for 3 months is estimated to be in the region of £ 5m, and if the crisis persists the loss of income will be around £ 10m over 6 months. The loss will be dependent on the effect of the restrictions during the period.

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:

We have assessed that this is currently a **Low** risk, because:

- 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 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, the number of responses to consultations suggest there is no great aspiration amongst the public to hold the Council to account.

- 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:

We have assessed that this is currently a **Medium** risk, because:

- There are many ways available within the Council 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 procedures in the Constitution, whilst the Chief Executive and the Directors continually challenge whether or not the departments are doing the right things. Cabinet members also meet often to challenge each other regarding developments.
- The Audit and Governance Committee keeps an overview of the governance arrangements as well as the implementation of the external auditor's recommendations.
- Supporting this is the Internal Audit Service that operates in accordance with the statutory professional standards, namely the Public Sector Internal Audit Standards.
- However, formally it is the scrutiny procedure that should continue to hold the Cabinet to account. There is transparent and objective scrutiny and challenging of decisions and policies; however, there is uncertainty regarding how effective this is. This has received attention in the Scrutiny Review commissioned by the Audit Committee in 2016/17, but at its meeting on 3 March 2017 the Council resolved contrary to the Audit Committee's decision to adopt a different procedure in the future.
- The new procedure was implemented following the May 2017 elections. A promise was made to review the effectiveness of the amended arrangements and the Scrutiny Working Group has been established, which includes members of the Cabinet, Scrutiny Forum and senior officers sit on this Working Group.
- Covid-19 has had an adverse effect on the Council's ability to perform its audit and scrutiny functions. Meetings of the Audit and Governance Committee and the scrutiny committees had to be cancelled since the start of the crisis in March 2020. Internal audit has not been able to undertake many audits during this period either but this was a temporary situation and a new Internal Audit plan for the remainder of 2020/21 was presented to the Audit and Governance Committee on 30 July 2020..

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 is 1 high risk and 11 medium risks.

4.2 Actions for the areas that are a high or medium risk are noted below.

HIGH RISKS

Governance Area	Response Arrangements	Department Responsible
The Council's Culture	<p>The 6-day training continues for new and prospective managers while two-day training is to be piloted with 4 groups of officers across the council during the first half of 2020. The Ffordd Gwynedd Core Group is currently considering how best to demonstrate the close link between the culture of Ffordd Gwynedd and the requirements of the Well-being of Future Generations Act with a view to including an item to discuss this on the programme of the Management Network meetings in 2020/21.</p> <p>Work is underway to consider ways of measuring the progress of the culture sought, through a combination of self-assessment by managers and their teams on the one hand and challenge by members of the management team and Cabinet on the other. It is also expected to receive a report from the Wales Audit Office during 2020 which will assess progress through independent eyes. The intention is that all of this will contribute to our ability to measure not only progress, but also the impact that the "way of working" has on our services.</p>	Corporate Support

MEDIUM RISKS

Governance Area	Response Arrangements	Department Responsible
Stakeholders	There are ongoing efforts in various areas to try to simplify a complex working relationship. However it must be acknowledged that there is only so much that can be done and there is room to question that the solution now is to try to find ways to work around the legislative barriers that have been set by the Government. We are already doing so quite successfully.	Leadership Team and Legal
Engagement	<p>During 2020/21 there is an intention to:</p> <ul style="list-style-type: none"> • continue to work with the Youth Service and external partners to further develop our ability to engage with young people. We will also be working with the Child Protection Service to develop the way the Council engages with young people who are either in care or have left the Council’s care; • establish a new Residents Panel which will make far greater use of electronic means of engagement and will also conform to the requirements of the Data Protection Act and GDPR; • continue to strengthen the support available to services to undertake meaningful and effective engagement exercises. This will include publishing and promoting templates, examples of good practice, guidelines and a practical toolkit; • assess and identify progress across the Council in understanding the needs of those who receive a service. 	Corporate Support
Direction and vision	The risk is accepted at its present level.	Corporate Support
Sustainability	The Governance Group will consider the result of the work by the Internal Audit Service as the basis for an assessment of how the 5 ways of working are embedded within individual departments before coming to a conclusion about what steps need to be taken to fully adopt the well-being of future generations principles across the Council.	Corporate Support
Reviewing Outcomes	The risk is accepted at its present level.	Leadership Team and Legal

Governance Area	Response Arrangements	Department Responsible
Information Technology Assets	Operate in accordance with the work programme included in the Information Technology Strategy. This includes extending the use of self-service in order that the people of Gwynedd can access a service at a time that is convenient for them.	Finance
Planning the Workforce	The Project Group and officers from the Human Resources Team are currently working closely with the managers of the Adults, Health and Well-being Department and are focussed on the identification of key jobs and functions there. This work will spread to the rest of the Council during the coming year. The need to develop individuals to perform specialist and key functions is met in several ways with the focus in the coming year on apprenticeships, the experts of tomorrow scheme and developing leadership skills among the existing workforce.	Corporate Support
Leadership	<p>In the coming year we will focus on the promotion of women in leadership in an effort to increase the number of women who apply, and are appointed, to take on senior responsibilities within the Council. This particular project has prioritised plans to introduce a potential development programme for women, conduct an audit of our recruitment and appointment methods for managerial positions and create a forum for leaders and aspiring female leaders within the Council.</p> <p>We will also continue to develop the leadership behaviours expected of managers across the board, primarily through a combination of training related to the "way of working" and by challenging the behaviours as part of the ongoing appraisal that is being promoted as part of establishing the culture.</p>	Corporate Support
Risk Management	Work still needs to be done to ensure that all Council departments maintain the procedure of recording their major risks and review them regularly. The Insurance and Risk Service will support all departments to ensure that the use of the Corporate Risk Register is consistent across the Council, and that risks are continuously updated. The procedure of considering the contents of risk registers when monitoring the performance of departments will develop further.	Finance

Governance Area	Response Arrangements	Department Responsible
Information	<p>It is planned for the Research and Information Team to extend the work of supporting services when using and interpreting performance data as part of the Department's activity in supporting Ffordd Gwynedd.</p> <p>The team is also looking at establishing and promoting Information Standards for areas where inconsistencies exist or have arisen.</p> <p>The work of ensuring that the Council complies with the requirements of the new data protection legislation will continue. As a result of the work of creating data asset registers, there is better understanding of the personal data that is kept by the Council and what personal information is being shared externally and the need for appropriate commercial agreements to be in place.</p> <p>But there remains the concern about the low number of staff who take up training and accept policies in the field. A group has been established to specifically look at this across the statutory issues in order to identify the most effective ways for delivering the training.</p>	Corporate Support
Assurance	<p>The new team established to strengthen support for scrutiny arrangements within the Council, works closely with the chairs/vice chairs of individual committees to ensure clarity and share best practice. This will extend to the development of regional scrutiny arrangements in conjunction with other authorities where relevant during 2020/21.</p>	Corporate Support

Part 5: OPINION

We are of the opinion that the governance arrangements described above offer assurance that our governance arrangements work well overall. However, we intend to take measures to deal with the matters noted in Part 4 above 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

Agenda Item 6

MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: 30 JULY 2020

TITLE: FINAL ACCOUNTS 2019/20 - REVENUE OUTTURN

PURPOSE: TO EXPLAIN AND SCRUTINISE THE FINAL FINANCIAL POSITION FOR 2019/20

ACTION: Receive the information, consider any risks arising from the actual expenditure and income against the 2019/20 budget, and scrutinise the Cabinet's decisions regarding managing the budgets of the Council and its Departments.

CONTACT OFFICER: FFION MADOG EVANS, SENIOR FINANCE MANAGER

CABINET MEMBER: COUNCILLOR IOAN THOMAS, FINANCE CABINET MEMBER

1. The report submitted today, namely the "outturn" budget review, explains the final position for 2019/20 and shows each department's position. These figures form the basis for the statutory statements also submitted 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 16 June 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 and provisions.
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:	16 June 2020
Date decision will come into force and be implemented, unless the decision is called in, in accordance with section 7.25 of the Gwynedd Council Constitution	1 July 2020

SUBJECT

Item 6: 2019/20 FINAL ACCOUNTS - REVENUE OUTTURN

DECISION

Resolved:

- 1.1 To note the final financial position of the Council's departments for 2019/20.
- 1.2 To approve the amounts to be carried forward (the "Revised Over/ (Under) Spend" column of the summary), namely:

DEPARTMENT	£'000
Adults, Health and Well-being	0
Children and Families	100
Education	(96)
Economy and Community	67
Highways and Municipal	100
Environment	(100)
Gwynedd Consultancy	(11)
Housing and Property	83
Corporate Management Team and Legal	(50)
Finance	(70)
Corporate Support	(100)

- 1.3 To approve the following recommendations and virements (as outlined in Appendix 2) -
 - The Children and Families Department to receive a one-off financial assistance of £3,259k to restrict the level of overspend that will be carried over by the Department to £100k, to support them to move on to face the challenges of 2020/21.
 - The Highways and Municipal Department to receive a one-off financial assistance of £447k, which limits overspend that will be carried forward by the Department to 2020/21 to £100k, to support them to face the challenges of 2020/21.
 - In accordance with the Financial Regulations, it is recommended that the usual practice is adhered to in order to allow the Environment Department to keep (£100k) of their underspend, and to move (£70k) which is the sum above (£100k), to be used to support the departments that have overspent in 2019/20.
-

-
- On Corporate budgets, use (£1,012k) of the net underspend to assist the departments that have overspent in 2019/20.

1.4 To approve the virements from specific reserves and provisions:

- as outlined in Appendix 3 following a review of reserves and provisions, harvest (£801k) from reserves and (£24k) from provisions using the total of (£825k) to assist the departments that have overspent in 2019/20.
- Finance the rest of the departmental overspend from (£1,799k) from the Council's Financial Strategy Reserve.

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

16 JUNE 2020

Cabinet Member: Councillor Ioan Thomas, Cabinet Member – Finance

Subject: Final Accounts 2019/20 – Revenue Out-turn

Contact officer: Ffion Madog Evans, Senior Finance Manager

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 2019/20.
- 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	0
Children and Families	100
Education	(96)
Economy and Community	67
Highways and Municipal	100
Environment	(100)
Gwynedd Consultancy	(11)
Housing and Property	83
Corporate Management Team and Legal	(50)
Finance	(70)
Corporate Support	(100)

- 1.3 To approve the following recommendations and virements (as outlined in **Appendix 2**) –
 - The Children and Families Department to receive a one-off financial assistance of £3,259k to restrict the level of overspend that will be carried over by the department to £100k, to support them to move on to face the challenges of 2020/21.

- The Highways and Municipal Department to receive a one-off financial assistance of £447k, which limits overspend that will be carried forward by the Department to 2020/21 to £100k, to support them to face the challenges of 2020/21.
- In accordance with the Financial Regulations it is recommended that the usual practice is adhered to in order to allow the Environment Department to keep (£100k) of their underspend, and to move (£70k) which is the sum above (£100k), to be used to support the departments that have overspent in 2019/20.
- On Corporate budgets, use (£1,012k) of the net underspend to assist the departments that have overspent in 2019/20.

1.4 To approve the virements from specific reserves and provisions:

- as outlined in **Appendix 3** following a review of reserves and provisions, harvest (£801k) from reserves and (£24k) from provisions using the total of (£825k) to assist the departments that have overspent in 2019/20.
- Finance the rest of the departmental overspend from (£1,799k) that is left to be funded from the Council's Financial Strategy Reserve.

2. Introduction / Background

2.1 Having examined the final position in 2019/20, the substantial pressures that face the field of care and the field of waste are clear, signs can also be seen that there are some difficulties in achieving savings, as we are seeking to minimise the impact on Gwynedd residents by achieving efficiency savings, it is much more difficult than undertaking service cuts.

We already know that the 2020/21 financial year will be a challenging one in financial terms, as already explained in the impact of Covid-19 on the 2020/21 budget report which was submitted to the Cabinet on 19/05/2020.

2.2 Therefore, **the Cabinet is requested to approve the final 2019/20 financial position. The Finance Department has produced, certified and published the statutory financial statements since 3 June before the statutory deadline of 15 June.**

3. Council Departments

- 3.1 **On the whole, I confirm that over half of the departments have been able to keep within their budgets this year.** A summary of the final position of all departments has been outlined in **Appendix 1**, with the amounts to be carried forward (subject to Cabinet approval) in the "Revised Over/(Under) Spend" column. In **Appendix 2**, further details are provided relating to the main issues and the fields where there were significant variances to what was reported previously, along with several specific recommendations. Those recommendations have been highlighted for consideration above in 1.3.
- 3.2 In the last review of the revenue budget on the position at the end of November, a probable overspend of £4.6 million on Council departments was forecasted. Since then, there has been a reduction of £1.1 million to the departments' comparative figure, to £3.5 million by the end of the year, being a reduction of £0.7 million by the **Adults, Health and Wellbeing** Department and a reduction of £0.4 million by the **Highways and Municipal** Department. Further, there is a £1 million underspend on **Corporate** budgets, which therefore reduces the gap to £2.5 million.
- 3.3 The financial position at the end of the year is that over half of the departments are underspending, and was projected correctly during 2019/20. A reduction in the overspend level was seen by the **Highways and Municipal Department**, with the position of the **Education Department** and **Gwynedd Consultancy** better than what had been anticipated. However, I note that there was a marked improvement in the financial position of the **Adults' Department**, following receipt and re-referral of grants from the Government late in the year.
- 3.4 There was an increase in the tendency to overspend on operational services, placements, Post-16 and Specialist / Derwen by the **Children and Families** Department, and therefore a £3.4m overspend is reported at the end of the year, an increase of £200k from the £3.2 million forecasted in the end of November review. Although the position of overspending in the children's field is not unique to Gwynedd, but rather a picture which is seen across authorities, the position is worrying.
- 3.5 Nearly £2 million of additional funding has been allocated to the **Children and Families Department** in 2020/21 in order to meet increased pressures. However, the failure to realise savings is a matter which still needs to be resolved, but it is intended to address this in a subsequent report to the Cabinet.
- 3.6 The **Highways and Municipal** Department continues to overspend significantly in the waste field, but a number of factors across the department are responsible for the reduction in the level of overspend to £547k by the end of the year.

- 3.7 **In Appendix 1, the underspend / overspend position of each department is reported to the Cabinet, that will approve the sums to be carried forward.** Financial Procedure Regulation 16.3.1 details the arrangements for sums to be "carried forward" at the end of the year. There are two requests for the Cabinet to abolish the departmental deficit, and one department with an underspend position that is above the £100,000 threshold at the closure of 2019/20 accounts, and therefore, with underspend to harvest.
- 3.8 Generally, where departments have underspent, that position would be for one time in 2019/20 only.
- 3.9 In the majority of budgets where there was an overspend in 2019/20, appropriate consideration was given to the related requirements and opportunities in the 2020/21 budgetary cycle, and most of those permanent matters have already been addressed in the financial strategy for 2020/21 (by management action to halt the trend and/or by amending the budget).

4. Schools

- 4.1 A section of **Appendix 2** details the budgetary position of schools, where a statute has presented delegated powers for governing bodies to carry balances forward at the end of a financial year. The county total of schools' balances has increased from £4m in 2018/19 to £4.3m in 2019/20. A general increase was seen in the balances of secondary sector schools and an increase of £430k in the balances of 43 primary schools but a reduction of £416k in the balances of 40 primary schools. We will soon be publishing detailed information on the balances of individual schools 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 are asking head teachers 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 financial deficit total of schools has increased from £207,106 (4 Primary, 2 Secondary, 1 Special) on 31 March 2019 to £239,646 (2 Primary, 1 Middle, 2 Secondary) on 31 March 2020. I confirm that the relevant Finance Unit will also ensure that head teachers and governing bodies of the schools which have financial deficits deals with them.

5. Corporate Budgets and Reserves

- 5.1 For many reasons, there has been one-off underspend on several corporate budgets headings this year, as outlined in the last part of **Appendix 2**. As recommended in part 1.3 above, (£1,012k) of this net underspend will be available to mitigate overspend by the Children Department and the Highways and Municipal Department.
- 5.2 The adequacy of the Council's specific reserves and provisions was reviewed by the Head of Finance Department once again at the closure of this year's accounts, in accordance with the policy approved some years ago. This review managed to harvest £825k of resources, as outlined in **Appendix 3**.
- 5.3 All of the £825k is to be used to assist to fund the overspend position by the departments.
- 5.4 With the Cabinet's support, if the underspend is used as recommended above, and the £825k used from harvested reserves and provisions, £1.799 million of funding is required to balance the 2019/20 financial position.
- 5.5 It is suggested that £1.799 million should be transferred from the financial strategy reserve to bridge the gap. Therefore, the Council has managed to avoid making any use of Council balances to balance the 2019/20 budget (in accordance with the Financial Strategy approved by the Council on 5 March 2020).

6. Next steps and timetable

- 6.1 In accordance with the Accounts and Audit (Wales) Regulations 2014, and the CIPFA Code of Practice, the Chief Finance Officer must certify the Council's statutory 2019/20 financial statements before 15 June. 2019/20 is a second transitional year in terms of a reduction in the timetable, with the statutory date noted as 15 June rather than 30 June, with a further reduction to 31 May from 2020/21 onwards. I wish to thank everyone who has contributed to the process of completing the work sooner and under very challenging circumstances this year in light of the Covid-19 crisis.
- 6.2 The purpose of this report is to elaborate on the out-turn position in terms of the underspend or overspend of individual departments, and Council expenditure in its entirety in 2019/20. We will consider the information as a result in order to reflect the position in the final accounts.
- 6.3 The Finance Department has produced the 2019/20 statutory financial statements that have been certified by the Head of Finance Department before this year's statutory date of 15 June.

Local member's views

Not relevant

Views of the statutory officers**The 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 - final underspend / overspend position of each department

Appendix 2 - main budgetary matters and fields where there were significant variances

Appendix 3 - harvested resources following a review of reserves and provisions

Final Accounts 2019/20 – Revenue Out-turn - Summary of the position per Department

	Final Review				End of November Position Target £ '000
	2019/20 Budget £'000	Gross Over / (Under) Spend 2019/20 £ '000	Recommended Adjustments £'000	Modified Over / (Under) Spend £ '000	
Adults, Health and Well-being	50,906	0	0	0	658
Children and Families	14,695	3,359	(3,259)	100	3,161
Education	85,853	(96)	0	(96)	16
Economy and Community	4,227	67	0	67	14
Highways and Municipal	24,464	547	(447)	100	970
Environment	3,339	(170)	70	(100)	(105)
Gwynedd Consultancy	102	(11)	0	(11)	87
Housing and Property	3,040	83	0	83	30
Corporate Management Team and Legal	1,632	(50)	0	(50)	(77)
Finance (and Information Technology)	6,095	(70)	0	(70)	(75)
Corporate Support	7,651	(100)	0	(100)	(96)
Corporate Budgets <i>(Variances only)</i>	*	(1,012)	1,012	0	0
Totals (net)	202,004	2,547	(2,624)	(77)	4,583

Finance from:	
Harvest Reserves and Provision (<i>Appendix 3</i>)	825
Financial Strategy Reserve	1,799
	0

REVENUE BUDGET 2019/20 - FINAL ACCOUNTS

Adults, Health and Well-being Department	2019/20 Budget	2019/20 Final Position	Gross Over / (Under) Spend 2019/20	Use of Other Sources or Other Adjustments Recommended	Modified Over / (Under) Spend 2019/20	Target Over / Under Spend - November 2019 Review
Field:	£'000	£'000	£'000	£'000	£'000	£'000
Adults Services						
Older People's Services						
Residential and Nursing - Homes	13,447	12,840	(607)	0	(607)	(145)
Domiciliary Care	6,831	5,962	(869)	0	(869)	(725)
Others	198	1,330	1,132	0	1,132	1,205
	20,476	20,132	(344)	0	(344)	335
Physical Disabilities Services	2,350	2,228	(122)	0	(122)	(52)
Learning Disabilities Services	18,183	18,627	444	0	444	481
Mental Health Services	3,462	3,315	(147)	0	(147)	(84)
Other Services (Adults)	2,980	2,932	(48)	0	(48)	(35)
Adults Services Total	47,451	47,234	(217)	0	(217)	645
Provider Services (shows net budget)						
Residential Care	(261)	(328)	(67)	0	(67)	(46)
Day Care	(23)	316	339	0	339	295
Community Care	(4)	393	397	0	397	328
Others	(3)	(46)	(43)	0	(43)	(26)
Provider Services Total	(291)	335	626	0	626	551

REVENUE BUDGET 2019/20 - FINAL ACCOUNTS						
Adults, Health and Well-being Department	2019/20 Budget	2019/20 Final Position	Gross Over / (Under) Spend 2019/20	Use of Other Sources or Other Adjustments Recommended	Modified Over / (Under) Spend 2019/20	Target Over / Under Spend - November 2019 Review
Field:	£'000	£'000	£'000	£'000	£'000	£'000
<u>Other Services</u>						
Departmental Central Services <i>(including Department savings)</i>	3,746	3,757	11	0	11	111
Use of specific reserve			(420)	0	(420)	(649)
<u>Other Services Total</u>	3,746	3,757	(409)	0	(409)	(538)
<u>Adults, Health and Well-being Total</u>	50,906	51,326	0	0	0	658

Adults, Health and Well-being

Older People's Services - receipt of winter resilience grant worth £450k, an increase of £106k in other grants and an increase in the receipt of residential and nursing income following the reassessment of clients' income. There was also a further reduction in demand for domiciliary care packages. Failure to realise £669k worth of savings within the 'Others' heading and an overspend of £374k on Supported Accommodation, with the costs of establishing the Hafod y Gest scheme responsible for a substantial proportion of the relevant overspend.

Physical Disabilities Services - the trend of a reduction in the number of domiciliary care packages continues, but there is an increase in the number of Residential and Nursing placements.

Learning Disabilities Services - impact of the increasing demand on supported accommodation and day services reduced by underspend on residential and nursing.

Mental Health Services - an expensive case has now concluded as well as staff turnover and the receipt of an additional grant.

Provider Services - costs associated with staffing above budget level are matters within Day Care and Community Care, with homes placed in special measures, recommendations by Care Inspectorate Wales, and appointing above the budget. Reduction in income for March deriving from the Covid-19 crisis.

Departmental Central Services - receipt of a grant and income and reducing expenditure reduces the impact of the slippage in realising £247k worth of savings schemes.

The department has received a £0.8 million grant from Welsh Government towards increasing costs deriving from winter pressures and other further grants of £242k, these grants have assisted to reduce overspend anticipated during the year. The department is also using one-off finance of £420k from a specific fund which enables the department to mitigate the overspend entirely this year.

The department would overspend £1.5 million without the additional contributions. However, by the 2020/21 budget they have received additional bids of over £1.8m. The Chief Executive has already commissioned work to obtain a better understanding of the matters and a clear response programme, in order to obtain a better understanding of the complex details of the picture in adults' care.

REVENUE BUDGET 2019/20 - FINAL ACCOUNTS						
Children and Families Department	2019/20 Budget	2019/20 Final Position	Gross Over / (Under) Spend 2019/20	Use of Other Sources or Other Adjustments Recommended	Modified Over / (Under) Spend 2019/20	Target Over / Under Spend - November 2019 Review
Field:	£'000	£'000	£'000	£'000	£'000	£'000
Service Management	579	561	(18)	0	(18)	33
Operational	2,206	2,359	153	0	153	88
Placements						
Out-of-County Placements	2,128	3,752	1,624	0	1,624	1,521
Fostering through an Agency	911	1,412	501	0	501	485
Fostering – Internal	1,706	2,294	588	0	588	545
Support Services and Others	1,644	1,757	113	0	113	105
	6,389	9,215	2,826	0	2,826	2,656
Post-16	1,034	1,294	260	0	260	120
Specialist/Derwen	1,776	2,133	357	0	357	337
Youth Justice	268	190	(78)	0	(78)	(44)
Early Years	144	70	(74)	0	(74)	(73)
Youth	743	607	(136)	0	(136)	(69)
Others	1,556	1,625	69	0	69	113
Adjustment - Closure of 2019/20 Accounts				(3,259)	(3,259)	0
Children and Families Total	14,695	18,054	3,359	(3,259)	100	3,161

Children and Families

Operational - the overspend continues although the field has received an additional resource of £100k for 2019/20 onwards, a substantial increase during the last months of the year in costs to support families in the areas of Arfon and Dwyfor and an overspend on staff costs which are above budget level.

Placements - the demand for the range of services is further intensifying, most of the overspend derives from seven cases of new out-of-county placements this year, along with the impact of a full year of eight cases that commenced during 2018/19. Fostering through an agency, 12 new cases this year and the impact of a full year of four cases that commenced in 2018/19. A further increase also in the number of internal fostering placements (166 on 31.3.20, 139 on 31.3.19). Following a review of the out-of-county commitments, it became apparent there had been a change in the type of cases in recent years and, therefore, to the associated and successive costs, a reduction was also seen in contributions from Health. Furthermore, there are £370k worth of savings within Placements that are yet to be realised.

Additional funding of £1.985m has been allocated to the Department in 2020/21 to meet the increasing pressures in the field of Placements.

Post-16 - this year's high initial support costs deriving from two new cases that have transferred from Out-of-county Placements.

Specialist/Derwen – overspend of £357k mainly on support plans with increased demand for service and for specialist support.

Youth Justice - Vacant posts and staff turnover responsible for the increase in overspend.

Early Years – the receipt of grants in the childcare field responsible for underspend.

Youth – the receipt of grants against core expenditure along with underspend following the recent remodelling of the service.

Others - a grant was received at the end of the year which reduced the overspend that derives from the higher demand on the commitment to the North Wales advocacy service, overspend on professional fees and on statutory reviews.

Given the department's tendency to increasingly overspend, a Children's Budget Task Force has been commissioned by the Chief Executive to address the serious financial matters of the Department.

It is recommended that the Children and Families Department receives one-off financial assistance of £3,259k to restrict the level of overspend that will be carried over by the Department to £100k, to support them to move on to face the challenges of 2020/21.

REVENUE BUDGET 2019/20 - FINAL ACCOUNTS						
Education Department	2019/20 Budget	2019/20 Final Position	Gross Over / (Under) Spend 2019/20	Use of Other Sources or Other Adjustments Recommended	Modified Over / (Under) Spend 2019/20	Target Over / Under Spend - November 2019 Review
Field:	£'000	£'000	£'000	£'000	£'000	£'000
Devolved Schools	74,272	74,272	0	0	0	0
Schools Quality Services	(417)	(823)	(406)	0	(406)	(249)
Infrastructure and Support Services						
Transport	4,920	5,078	158	0	158	228
Ancillary Services	441	797	356	0	356	259
Others	96	(71)	(167)	0	(167)	(347)
	5,457	5,804	347	0	347	140
Leadership and Management	2,125	2,076	(49)	0	(49)	(25)
Additional Learning Needs and Inclusion	4,416	4,428	12	0	12	150
Education Total	85,853	85,757	(96)	0	(96)	16

Education

Schools Quality Services - combination of receiving and using grants, staff turnover and reducing expenditure responsible for further underspend by the end of the year.

Transport - following overspend on this field over the past few years, additional finance of £400k was allocated for 2019/20 and further finance has been allocated for 2020/21. However, the overspend continues but is lower than what was anticipated, with an overspend of £63k on School Buses, £63k on School Taxi Transport and £33k of income deficit on Post-16 Transport at the end of the financial year.

The Transport field has been the subject of a strategic review to try to control the increase in expenditure, with the need for further work by the Education Department and the Environment Department continuing, so that it is possible to take advantage of efficiency opportunities.

Infrastructure and Support Services - Ancillary Services - with schools closed for the last seven working days in March due to Covid-19, there was an increased income deficit on school dinners and the care element from the breakfast scheme as a result. This was in addition to the income deficit that already existed in this field along with the overspend on staffing and sickness matters in Catering, Cleaning and Care-taking for schools.

Infrastructure and Support Services - Others - continuing to underspend but there is high demand on various budgets including integration, than what had been anticipated originally.

Additional Learning Needs and Inclusion - the overspend involved with circumstances in one specific centre was substantially mitigated by the end of the year as a result of using a grant along with staff turnover.

REVENUE BUDGET 2019/20 - FINAL ACCOUNTS						
Economy and Community Department	2019/20 Budget	2019/20 Final Position	Gross Over / (Under) Spend 2019/20	Use of Other Sources or Other Adjustments Recommended	Modified Over / (Under) Spend 2019/20	Target Over / Under Spend - November 2019 Review
Field:	£'000	£'000	£'000	£'000	£'000	£'000
Management	345	348	3	0	3	0
Community Regeneration and Support Programmes	386	396	10	0	10	10
Maritime and Country Parks	(101)	(92)	9	0	9	(36)
Leisure Contracts	1,018	1,097	79	0	79	68
Sports Programmes	97	37	(60)	0	(60)	(48)
Economic Development Programmes	62	36	(26)	0	(26)	(40)
Marketing and Events	310	310	0	0	0	0
Gwynedd Libraries	1,385	1,378	(7)	0	(7)	(9)
Museums, Arts and Gwynedd Archives	725	784	59	0	59	69
Economy and Community Total	4,227	4,294	67	0	67	14

Economy and Community

Maritime and Country Parks - damage that derived from winter storms has led to unexpected additional expenditure on pontoons in Hafan, Pwllheli and on land maintenance in Parc Glynllifon. Staff turnover in Parc Glynllifon and Parc Padarn means that there was an underspend of £27k on the Rural Parks but there was an overspend of £36k by Maritime which is a combination of income deficit and overspend on seasonal staffing on beaches and higher expenditure in Hafan, Pwllheli.

Leisure Contracts - the Leisure provision was transferred to the Byw'n Iach Company on 1 April 2019, but responsibility for the running costs of properties remained with the Council, a one-off increase was seen in the running costs of leisure centres and, therefore, there was an overspend of £79k at the end of the financial year.

Sports Programmes and Economic Development Programmes - vacant posts and use of grants responsible for the underspend position but necessary costs at the end of the year reducing the underspend reported on Economic Development.

Museums, Arts and Gwynedd Archives - problems continue in Storiol with an overspend of £69k at the end of the financial year, which is a combination of overspend in staff costs and income deficit. Underspend on Archives and the Arts assists the financial position slightly by reducing the overspend to £59k.

REVENUE BUDGET 2019/20 - FINAL ACCOUNTS						
Highways and Municipal Department (including Trunk roads)	2019/20 Budget	2019/20 Final Position	Gross Over / (Under) Spend 2019/20	Use of Other Sources or Other Adjustments Recommended	Modified Over / (Under) Spend 2019/20	Target Over / Under Spend - November 2019 Review
Field:	£'000	£'000	£'000	£'000	£'000	£'000
Highways Services (including Trunk roads)	9,767	9,713	(54)	0	(54)	(135)
Engineering Services	309	297	(12)	0	(12)	55
Municipal Services						
Waste	10,803	11,654	851	0	851	996
Others	3,585	3,347	(238)	0	(238)	54
Adjustment - Closure of 2019/20 Accounts				(447)	(447)	0
Highways and Municipal Total	24,464	25,011	547	(447)	100	970

Highways and Municipal (including Trunk roads)

Highways Services - have exceeded on external income but additional expenditure on schemes responsible for the reduction in the underspend reported.

Engineering Services - less expenditure in a number of fields at the end of the year has led to an underspend position.

Waste - reduction in overspend in the Waste field to £851k. Costs for dealing with waste via Parc Adfer, namely a regional 'Energy Generated from Waste' facility located in Deeside, were not as high as anticipated in the previous review and a clinical waste grant of £123k was received from Welsh Government at the end of the year.

Although the department had taken action to reduce costs by changing shifts and waste collection circuit arrangements, there was a delay in operations. The new arrangements have now come into force in Dwyfor and more recently in Arfon but there was a further slippage in the timetable to implement the new system in Meirionnydd, therefore, associated transitional costs with staffing and sickness costs were responsible for £496k of the overspend.

Overspend continues on operational and transport costs, grant and income deficit on waste and recycling materials.

Although some action on the Waste side have already been taken during the year to ensure that implementation measures are within the budget, it is noted that implementation was delayed this year.

Other Municipal Services - combination of increase in income, realising savings in advance and reducing expenditure has led to an underspend position by the end of the year.

It is recommended that the Highways and Municipal Department receives one-off financial assistance of £447k, which limits overspend that will be carried forward by the Department to 2020/21 to £100k, to support them to face the challenges of 2020/21.

REVENUE BUDGET 2019/20 - FINAL ACCOUNTS						
Environment Department	2019/20 Budget	2019/20 Final Position	Gross Over / (Under) Spend 2019/20	Use of Other Sources or Other Adjustments Recommended	Modified Over / (Under) Spend 2019/20	Target Over / Under Spend - November 2019 Review
Field:	£'000	£'000	£'000	£'000	£'000	£'000
Department Management	401	343	(58)	0	(58)	(53)
Planning Service	286	305	19	0	19	137
Street Care and Transport Services						
Network Management (Transport)	590	354	(236)	0	(236)	(50)
Parking and Parking Enforcement	(1,985)	(1,869)	116	0	116	(12)
Integrated Transport	1,566	1,537	(29)	0	(29)	(24)
	171	22	(149)	0	(149)	(86)
Countryside and Access	740	773	33	0	33	21
Public Protection	1,741	1,726	(15)	0	(15)	(124)
Adjustment - Closure of 2019/20 Accounts				70	70	0
Environment Total	3,339	3,169	(170)	70	(100)	(105)

Environment

Management - general underspend and the department's advance savings have led to one-off savings under the Management heading.

Planning Service - a shift in position since the previous review as a result of a reduction in income deficit after receiving additional major application in the last few months of the year in the field of Development Control. Underspend on services, supplies and transport also assisting to slightly alleviate the income deficit.

Street Care and Transport Services - a mixed picture in terms of the relevant income, with the Traffic and Statutory Arrangements field over-delivering income from road closures, which is part of the department's savings schemes over the next few years. However, a further reduction in parking income as the impacts of coronavirus have had an impact on parking income during the last few weeks of the financial year, although it is alleviated by vacant posts, the net overspend is £116k.

Integrated Transport - one-off underspend on staff costs and exceeding on income reducing the impact of additional costs on bus contracts. The department using a reserve that was assigned for the purpose of increasing costs. The department is in the process of undertaking a review of public transport and has already commissioned research by the University to review the provision.

Public Protection - one-off expenditure on new software is the main reason for a reduction in underspend by the end of the year, it also appears that the impacts of coronavirus have affected income in the fields of Licensing, Taxis and Markets as income is not as promising as anticipated during the year.

As part of the end of August review, the Environment Department received the Cabinet's approval to earmark £220k of its underspend this year for costs following a judicial review relating to the Llanbedr access Road. Given the current situation with the Coronavirus crisis which has substantial financial implications for the Council, the Department has agreed that it is appropriate for it to use a combination of departmental underspend and capital provision that no longer needs to be funded.

In accordance with Financial Regulations, **it is recommended** that the usual practice is adhered to in order to allow the Environment Department to keep (£100k) of their underspend, and to move (£70k) which is the sum above (£100k), to be used to support the departments that have overspent in 2019/20.

REVENUE BUDGET 2019/20 - FINAL ACCOUNTS						
Consultancy Department	2019/20 Budget	2019/20 Final Position	Gross Over / (Under) Spend 2019/20	Use of Other Sources or Other Adjustments Recommended	Modified Over / (Under) Spend 2019/20	Target Over / Under Spend - November 2019 Review
Field:	£'000	£'000	£'000	£'000	£'000	£'000
Roads and Engineering Services	(475)	(498)	(23)	0	(23)	25
Sustainable Drainage Systems Unit (SuDS)	44	44	0	0	0	0
Flood Risk Management Unit	485	482	(3)	0	(3)	1
Building Control	48	63	15	0	15	61
Consultancy Total	102	91	(11)	0	(11)	87

Consultancy

Roads and Engineering Services - a favourable shift of (£48k) since the previous review as a result of underspend on staff costs alleviating the deficit seen in income level by external organisations, such as other Councils and Welsh Government.

Sustainable Drainage Systems Unit (SuDS) - income deficit during the period of establishing the new unit alleviated by underspend on staff costs.

Building Control - income deficit reduced by lower expenditure on services and supplies.

REVENUE BUDGET 2019/20 - FINAL ACCOUNTS

Housing and Property Department	2019/20 Budget	2019/20 Final Position	Gross Over / (Under) Spend 2019/20	Use of Other Sources or Other Adjustments Recommended	Modified Over / (Under) Spend 2019/20	Target Over / Under Spend - November 2019 Review
Field:	£'000	£'000	£'000	£'000	£'000	£'000
Management	(22)	52	74	0	74	103
Housing Services						
Homelessness	1,062	1,313	251	0	251	160
Private Sector Housing	344	257	(87)	0	(87)	(69)
Others	212	170	(42)	0	(42)	(58)
	1,618	1,740	122	0	122	33
Property Services						
Property	1,420	1,331	(89)	0	(89)	(107)
Care-taking, Catering and Cleaning	24	0	(24)	0	(24)	1
	1,444	1,331	(113)	0	(113)	(106)
Housing and Property Total	3,040	3,123	83	0	83	30

Housing and Property

Management - Savings Scheme which is yet to be realised is mainly responsible for the overspend. The Department is examining an alternative scheme to replace the existing scheme.

Housing Services - pressures on the Temporary Accommodation, Homelessness budget as a result of a combination of increased prices and longer stays, sufficient bids have been approved to address this in 2020/21. Private Sector Housing exceeds income and Other Housing is underspending on staff costs, therefore, assisting to mitigate overspend reported for the Housing Service.

Property Services - vacant posts and secondments are mainly responsible for the underspend anticipated as well as overspend on services and supplies.

REVENUE BUDGET 2019/20 - FINAL ACCOUNTS						
Central Departments	2019/20 Budget	2019/20 Final Position	Gross Over / (Under) Spend 2019/20	Use of Other Sources or Other Adjustments Recommended	Modified Over / (Under) Spend 2019/20	Target Over / Under Spend - November 2019 Review
Field:	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team and Legal	1,632	1,582	(50)	0	(50)	(77)
Finance (and Information Technology)	6,095	6,025	(70)	0	(70)	(75)
Corporate Support	7,651	7,551	(100)	0	(100)	(96)
Central Departments Total	15,378	15,158	(220)	0	(220)	(248)

Central Departments

Corporate Management Team & Legal - a reduction in the underspend reported as a proportion of the underspend of the vacant post of Corporate Director is being diverted to fund better well-being provision in Council offices. Received additional income from the Legal Unit which contributed towards the favourable position but was reduced as a result of higher staffing costs.

Finance (and Information Technology) – combination of reasons responsible for the underspend, including one-off underspend due to staff turnover, secondments, and additional income and grants received in a number of fields. Additional income from different sources, including Welsh Government for the field of non-domestic rates relief administration and an additional transitional period grant from the Department of Work and Pensions (DWP) in the Benefits field. Furthermore, the Department has managed to deliver savings in advance this year and has diverted them for Corporate purposes.

Corporate Support - the underspend was mainly due to receiving external income above the budget level in a number of fields across the department, including Translation, Registration and the Human Resources Advisory Services. Vacant posts and secondments also contribute towards the favourable position, in preparation for savings over the next few years, as there is no demand for savings this year the department has already transferred a portion of its savings in advance for Corporate purposes.

REVENUE BUDGET 2019/20 - FINAL ACCOUNTS						
Corporate (Reflects variances only)	2019/20 Budget	2019/20 Final Position	Gross Over / (Under) Spend 2019/20	Use of Other Sources or Other Adjustments Recommended	Modified Over / (Under) Spend 2019/20	Target Over / Under Spend - November 2019 Review
Field:	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	*	*	(495)		(495)	0
Council Tax Premium	*	*	0		0	0
Council Tax Reductions	*	*	(183)		(183)	0
Others	*	*	(334)		(334)	0
Adjustment - Closure of 2019/20 Accounts				1,012	1,012	0
Corporate Total	*	*	(1,012)	1,012	0	0

Corporate

Council Tax and Council Tax Premium - favourable position of additional tax on Council Tax, however, the Valuer's Office has already permitted the transfer of 397 properties from the Council Tax list to the Non-domestic Rates list during 2019/20 (453 in 2018/19, 282 in 2017/18, and 199 in 2016/17). During the year, £2.9m of Council Tax Premium was collected and assigned to be considered for the Housing Strategy.

Council Tax Reductions - underspend of (£183k) as the number of applications to the Council Tax Reduction (Benefits) scheme was generally at its lowest level for the fourth year in succession across North and Mid-Wales in 2019/20, but an increase was seen in early 2020/21 which derived from the Covid-19 crisis.

Others - the pressures across a substantial number of budgets not as much as anticipated and, therefore, underspending.

It is recommended that departments that overspend in 2019/20 should be assisted with funding from the following sources:

- net underspend of (£1,012k) on Corporate budgets
- underspend of (£70k) by the Environment Department, which is above the underspend threshold of (£100k) permitted for Departments.
- use (£825,044) from the reserve harvesting exercise and provisions detailed in **Appendix 3**
- finance the rest that is left to be funded, namely (£1,799k) from the Council's Financial Strategy Reserve.

Harvested resources following a review of reserves and provisions

Following a review of the reserves and provisions, it is recommended to release the following sums from the reserves and provisions below:

Reserve	Sum to be released £
Corporate Support Underspend (harvesting above specific threshold)	60,842
Underspend of the Finance Department (harvesting above specific threshold)	58,984
Completed Various Historical Projects	308,464
Various Reserves for Completed Systems	151,184
Welfare Reform Field Requirements (no commitment for it)	121,570
Risk Management (no commitment for it)	100,000
Total	801,044

Provision	Sum to be released £
Third Party Claims (completed)	24,000
Total	24,000

using them to:

Reserves and Provision harvested	Sum £
Funding the overspend of Departments that overspend in 2019/20	825,044
Total	825,044

Agenda Item 7

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	30 JULY 2020
TITLE:	STATEMENT OF ACCOUNTS 2019/20
PURPOSE / RECOMMENDATION:	TO RECEIVE THE STATUTORY STATEMENT OF ACCOUNTS (PRE-AUDIT DRAFT) FOR INFORMATION
AUTHOR:	DAFYDD L EDWARDS, HEAD OF FINANCE
CABINET MEMBER:	COUNCILLOR IOAN THOMAS

1. INTRODUCTION

- 1.1 This report introduces the statutory Statement of Accounts for the 2019/20 financial year, which provides details of the Council's financial activities during the year which ended on 31 March 2020.
- 1.2 The following document is the draft Statement of Accounts in its statutory format, 91 pages long in each language. A link to the Statement was sent to all elected members and chief officers of the Council on 31 May 2019.
- 1.3 This year, the final accounts following audit was to be submitted to the 30 July 2020 Audit and Governance Committee, but the lockdown arrangements as a result of Covid-19 has caused a delay throughout Wales with the electors' rights to inspect the accounts, and therefore an extraordinary meeting of the Audit and Governance Committee will now be held on 14 September 2020.
- 1.4 The draft accounts presented here are currently subject to audit, so it is possible that some changes will be necessary before a final version is submitted for approval at the 14 September 2020 meeting of the Audit and Governance Committee.
- 1.5 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 2019/20. As the regulations require statements in a standard format, comparisons with other bodies' accounts is facilitated, but the statements have now become technically complex and difficult to understand.
- 1.6 Simple summary "outturn" reports relating to the 2019/20 accounts were presented to the Cabinet meeting on 16 June 2020. 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 the statutory deadline (15 June for the 2019/20 accounts).
- 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 2019/20 Statement of Accounts, with all other relevant statements are 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 has notified the public, on the Council’s website, that the accounts will be available for inspection for a 20 working day period, commencing on 3 August 2020. 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 1.4 (above), the final (audited) version of the Council’s 2019/20 Statement of Accounts will be submitted to the meeting of the Audit and Governance Committee on 14 September 2020 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 2019/20.

Gwynedd Council

STATEMENT OF ACCOUNTS 2019/20

Subject to Audit

Finance Department
www.gwynedd.llyw.cymru



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NARRATIVE REPORT

Introduction

Gwynedd Council's accounts for the year 2019/20 are presented here on pages 9 to 91.

The Statement of Accounts consist of:-

- **Expenditure and Funding Analysis** – Whilst this is not a statutory statement, it shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.
- **Comprehensive Income and Expenditure Statement** - This is the Council's main revenue account. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Movement in Reserves Statement** - This statement shows the movement in year on the different reserves held by the Authority, analysed into 'usable reserves' and 'unusable reserves'. The taxation position is reflected in the Movement in Reserves Statement.
- **The Balance Sheet** - Sets out the financial position of the Council on 31 March 2020.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2019/20 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 are included in the Gwynedd Council Plan that was reviewed in March 2020. The Plan supports the Council's vision, namely, for every community in Gwynedd to prosper, and for us as people to :-

- Enjoy happy, healthy and safe lives,
- Receive education of the highest quality which will enable us to do what we want to do,
- Earn a sufficient salary to be able to support ourselves and our families,
- Live in quality homes within our communities,
- Live in a natural Welsh society,
- Live with dignity and independently for as long as possible,
- Take advantage of the beauty of the County's natural environment.

In accordance with the requirements of the Well-being of Future Generations (Wales) Act 2015, the Council has adopted the above as its Well-being Objectives.

There are several elements to the Council Plan, including the Summary Plan which outlines our Improvement Priorities, our seven Well-being Objectives and the 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>

The COVID-19 crisis emerged at the end of March 2020, and has had far reaching effects. For Gwynedd Council, in response to the COVID-19 pandemic, the Council is concentrating its efforts to maintain the activities that:

- Provide childcare for key workers
- Support children and vulnerable adults
- Collect refuse from homes
- Play our part in supporting businesses
- Any other activities that saves lives

In accordance with the latest Welsh Government guidance, the Council is arranging to re-open its Services carefully.

Financial Strategy

The Council's Financial Strategy and 2019/20 Budget adopted by the Council at its meeting on 7 March 2019 sets out the foundation for us to achieve the improvement priorities, whilst also trying to meet the continuous increase in demand for our services. The Financial Strategy is unavoidably dependent upon these priorities. 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 has established 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. 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.

The changes in response to the COVID-19 pandemic will also affect the medium term financial position of the Council. The Council like other councils in Wales has worked with Welsh Government to respond to the situation in the best way possible, with the Council processing business grants of significant value. Welsh Government has confirmed additional funding to meet some of the additional costs deriving from the COVID-19, while the prospects of compensating for the loss of income is more promising by now.

It is not anticipated that the pandemic will have a significant effect on the value of the Council's assets and liabilities. This assumption is to be revisited regularly.

Performance Measuring

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 Council Annual Performance Report describes our success in achieving our improvement priorities and also provides information on the performance of Council departments and how they assist the people of Gwynedd. The report is available at:

<https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Council-performance/Performance-Measuring.aspx>

Financial Performance 2019/20

- Despite the sustained need to achieve challenging savings, the final financial position of the Council's departments for 2019/20 confirms that there was effective financial management. The financial out-turn position for 2019/20 will be reported to the Cabinet at its meeting on 16 June 2020. Members of the Cabinet are asked to approve the carry-forward of the net services underspend of £77k for the year.
- At 2019/20 year-end, more than half of the departments and several corporate headings have been able to keep within their budgets, with an improvement in the financial position of the Education, Highways and Municipal, Consultancy and Adults Departments by year-end. However, there was an increase in the trend of overspending by the Children and Families Department.

- The Comprehensive Income and Expenditure Statement on page 10 shows that the Council's gross revenue expenditure on 'Cost of Services' level was £404m during 2019/20, with the net position as £267m.
- The 2019/20 financial position was taken into consideration in the process of establishing the 2020/21 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 £265m for 2019/20.

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	265,420	265,336	(84)
Departmental Carry Forward at year-end	0	77	77
	<hr/>	<hr/>	<hr/>
	265,420	265,413	(7)
Financed by -			
Council Tax Income	(88,869)	(89,364)	(495)
Share of National Non-Domestic Rate	(40,502)	(40,502)	0
General Government Grants	(136,049)	(136,049)	0
Contribution to the General Fund Balance	0	502	502
	<hr/>	<hr/>	<hr/>
	0	0	0

- The Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement on pages 10 and 11 detail the 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	85,757	(445)	85,312	0	85,312
Corporate Support	7,551	(63)	7,488	0	7,488
Finance	6,025	85	6,110	0	6,110
Economy and Community	4,294	(213)	4,081	0	4,081
Adults, Health and Wellbeing	51,326	182	51,508	(65)	51,443
Children and Family Support	18,053	(85)	17,968	0	17,968
Highways and Municipal (including Trunk Roads)	24,980	(488)	24,492	0	24,492
Environment	3,160	534	3,694	0	3,694
Housing and Property	3,223	(19)	3,204	0	3,204
Corporate Management Team and Legal	1,641	11	1,652	0	1,652
Gwynedd Consultancy	90	(24)	66	0	66
Corporate	66,357	(51,876)	14,481	46,542	61,023
Cost of Services	272,457	(52,401)	220,056	46,477	266,533
Other (Contains Centralised and Corporate Adjustment)	(7,044)	52,401	45,357	(46,477)	(1,120)
Total	265,413	0	265,413	0	265,413

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:-

- £92m on pensions, being the annual remeasurement of the net pension 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 £4m on the revaluation of property, plant and equipment assets (Note 15 & 23).

- **Other Issues**

- There are financial risks with the global situation. 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.
- The arrival of the COVID-19 crisis presents a further financial challenge for the Council in the short and medium term.

Capital Expenditure in 2019/20

Capital expenditure for 2019/20 amounted to £29.1m. The following table gives an analysis of this expenditure and the way it was financed.

TABLE 3 - SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

2018/19 £'000		2019/20 £'000
3,481	Education	8,757
1,399	Environment	1,926
6	Corporate Support	0
1,049	Finance	926
656	Economy and Community	1,037
780	Adults, Health and Wellbeing	1,926
93	Children and Family Support	303
6,971	Highways and Municipal	8,229
6,993	Housing and Property	5,328
1,380	Gwynedd Consultancy	637
22,808		29,069
	FINANCED BY -	
7,918	Borrowing	5,979
10,538	Grants and Contributions	20,083
162	Capital Receipts	423
4,190	Revenue and Other Funds	2,584
22,808		29,069

- Revenue Expenditure Funded from Capital Under Statute of £4.9m 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 £26.2m as shown in Note 15 and 20.
- The Council's Loan Debt at 31 March 2020 was £125.5m – an increase of £16.8m (from £108.7m) during the year. Repayments of £2.2m were made in accordance with the terms of individual loans.

Provisions and Reserves

In addition to the unearmarked element of General Balances of £7.6m, the Council had other provisions of £8.2m, earmarked reserves of £59.2m and school balances of £4.3m. In total, these amounted to £79.3m. 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 and provisions was reviewed by the Head of Finance on closure of this year's accounts, in accordance with the policy. This review succeeded in harvesting £825k of resources and recommend that the Cabinet (at its meeting on the 16 June 2020) use it to help fund the departmental overspend position.

Cabinet support was also sought, to transfer £1.799m from the financial strategy fund to fund the gap, thus avoiding using Council balances to balance the 2019/20 budget.

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 Robertson, of the Council's share of the Pension Fund liability. This net liability has decreased by £61m to £238m in 2019/20. 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. The last valuation was at 31 March 2019, with the next taking place at 31 March 2022.

Governance

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

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.

Changes in Accounting Policies and to the Accounts

The Council's existing accounting policies are amended only insofar as to reflect the guidance in the 2019/20 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

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 COUNCIL'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 Council'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 Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

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

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 2020 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

3 June 2020

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.

EXPENDITURE AND FUNDING ANALYSIS						
2018/19				2019/20		
Net Expenditure Chargeable to the General Fund	Adjustments between the Accounting Basis and Funding Basis (see Note 9)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Accounting Basis and Funding Basis (see Note 9)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
83,432	0	83,432	Education	85,312	0	85,312
7,801	0	7,801	Corporate Support	7,488	0	7,488
5,915	0	5,915	Finance	6,110	0	6,110
4,273	0	4,273	Economy and Community	4,081	0	4,081
49,406	(63)	49,343	Adults, Health and Wellbeing	51,508	(65)	51,443
15,792	0	15,792	Children and Family Support	17,968	0	17,968
24,309	0	24,309	Highways and Municipal (including Trunk Roads*)	24,492	0	24,492
1,488	0	1,488	Environment	3,694	0	3,694
3,210	0	3,210	Housing and Property	3,204	0	3,204
1,686	0	1,686	Corporate Management Team and Legal	1,652	0	1,652
432	0	432	Gwynedd Consultancy	66	0	66
9,297	35,901	45,198	Corporate	14,481	46,542	61,023
207,041	35,838	242,879	Cost of Services	220,056	46,477	266,533
22,578	174	22,752	Other Operating Expenditure	24,083	(171)	23,912
17,502	(5,262)	12,240	Financing and Investment Income and Expenditure	15,572	(2,440)	13,132
(259,617)	(13,581)	(273,198)	Taxation and non-specific grant income	(265,916)	(18,252)	(284,168)
(12,496)	17,169	4,673	(Surplus)/Deficit on Provision of Services	(6,205)	25,614	19,409
(52,389)			Opening General Fund Balance	(64,885)		
(12,496)			(Surplus)/Deficit on General Fund in year	(6,205)		
(64,885)			Closing General Fund Balance	(71,090)		

* 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.

2018/19			Note	2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
105,225	(21,793)	83,432	Education	109,034	(23,722)	85,312
9,339	(1,538)	7,801	Corporate Support	8,963	(1,475)	7,488
8,298	(2,383)	5,915	Finance	8,644	(2,534)	6,110
12,787	(8,514)	4,273	Economy and Community	9,522	(5,441)	4,081
73,083	(23,740)	49,343	Adults, Health and Wellbeing	78,797	(27,354)	51,443
25,835	(10,043)	15,792	Children and Family Support	30,734	(12,766)	17,968
41,701	(17,392)	24,309	Highways and Municipal (including Trunk Roads*)	41,400	(16,908)	24,492
9,835	(8,347)	1,488	Environment	11,763	(8,069)	3,694
4,933	(1,723)	3,210	Housing and Property	5,910	(2,706)	3,204
2,342	(656)	1,686	Corporate Management Team and Legal	2,539	(887)	1,652
5,862	(5,430)	432	Gwynedd Consultancy	5,468	(5,402)	66
78,289	(33,091)	45,198	Corporate	91,352	(30,329)	61,023
377,529	(134,650)	242,879	Cost of Services	404,126	(137,593)	266,533
22,752	0	22,752	Other Operating Expenditure	24,083	(171)	23,912
12,547	(307)	12,240	Financing and Investment Income and Expenditure	13,677	(545)	13,132
0	(273,198)	(273,198)	Taxation and Non-specific Grant Income	0	(284,168)	(284,168)
412,828	(408,155)	4,673	(Surplus)/Deficit on Provision of Services	441,886	(422,477)	19,409
		(10,326)	(Surplus)/Deficit on revaluation of Fixed Assets	23.1		(4,371)
		448	(Surplus)/Deficit on revaluation of Financial Instruments	23.3		1,293
		0	(Surplus) / Deficit on revaluation of available for sale financial assets	23.3		(171)
		48,870	Remeasurements of the net pension defined benefit liability/(asset)	23.5		(91,705)
		38,992	Other Comprehensive Income and Expenditure			(94,954)
		43,665	Total Comprehensive Income and Expenditure			(75,545)

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

MOVEMENT IN RESERVES STATEMENT

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

	Additional Information			Statement of Movement in Reserves						
	Note	Unearmarked General Fund Balance	Earmarked General Fund Reserves	Total Reserves held by Schools	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance 31 March 2018 carried forward		(5,895)	(42,476)	(4,018)	(52,389)	(1,729)	(2,102)	(56,220)	(32,646)	(88,866)
Transition to IFRS 9 and IFRS 15	17	4	0	0	4	0	0	4	0	4
<u>Movement in reserves during 2018/19</u>		-								
Total Comprehensive Income and Expenditure		4,669	0	0	4,669	0	0	4,669	38,992	43,661
Adjustments between accounting basis and funding basis under regulations	9	(17,169)	0	0	(17,169)	(411)	(3,918)	(21,498)	21,498	0
(Increase)/Decrease in 2018/19		(12,496)	0	0	(12,496)	(411)	(3,918)	(16,825)	60,490	43,665
Transfers to/from Earmarked Reserves	10	11,321	(11,339)	18	0	0	0	0	0	0
(Increase)/Decrease in 2018/19 (showing transfers to Earmarked Reserves)		(1,175)	(11,339)	18	(12,496)	(411)	(3,918)	(16,825)	60,490	43,665
Balance 31 March 2019 carried forward		(7,070)	(53,815)	(4,000)	(64,885)	(2,140)	(6,020)	(73,045)	27,844	(45,201)
<u>Movement in reserves during 2019/20</u>		-								
Total Comprehensive Income and Expenditure		19,409	0	0	19,409	0	0	19,409	(94,954)	(75,545)
Adjustments between accounting basis and funding basis under regulations	9	(25,614)	0	0	(25,614)	(71)	1,295	(24,390)	24,390	0
(Increase)/Decrease in 2019/20		(6,205)	0	0	(6,205)	(71)	1,295	(4,981)	(70,564)	(75,545)
Transfers to/from Earmarked Reserves	10	5,703	(5,370)	(333)	0	0	0	0	0	0
(Increase)/Decrease in 2019/20 (showing transfers to Earmarked Reserves)		(502)	(5,370)	(333)	(6,205)	(71)	1,295	(4,981)	(70,564)	(75,545)
Balance 31 March 2020 carried forward		(7,572)	(59,185)	(4,333)	(71,090)	(2,211)	(4,725)	(78,026)	(42,720)	(120,746)

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 2019		Note	31 March 2020
£'000			£'000
450,548	Property, Plant and Equipment	15	461,634
60	Heritage Assets		60
705	Investment Property	16	165
2,225	Surplus Assets	15	1,960
17	Long-Term Investments	17	17
4,139	Long-Term Debtors	17	3,948
457,694	Long-Term Assets		467,784
19,567	Short-Term Investments	17	11,259
73	Assets Held for Sale	20	73
1,251	Inventories		1,367
55,834	Short-Term Debtors	18	76,415
14,686	Cash and Cash Equivalents	19	14,900
91,411	Current Assets		104,014
(30,573)	Bank Overdraft	19	(22,338)
(2,770)	Short-Term Borrowing	17	(21,112)
(53,280)	Short-Term Creditors	21	(53,149)
(278)	Short-Term Provisions	22	(304)
(1,618)	Capital and Revenue Grants Receipts in Advance	32	(1,443)
(88,519)	Current Liabilities		(98,346)
(7,685)	Long-Term Provisions	22	(7,850)
(105,924)	Long-Term Borrowing	17	(104,346)
(298,514)	Pension Liability	38	(237,519)
(1,700)	Finance Leases Liability	35	(1,540)
(1,562)	Capital and Revenue Grants Receipts in Advance	32	(1,451)
(415,385)	Long-Term Liabilities		(352,706)
45,201	Net Assets		120,746
(73,045)	Usable Reserves		(78,026)
27,844	Unusable Reserves	23	(42,720)
(45,201)	Total Reserves		(120,746)

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.

2018/19 £'000		Note	2019/20 £'000
4,673	Net (Surplus)/Deficit on Provision of Services		19,409
(40,347)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24a	(34,088)
699	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24b	548
(34,975)	Net cash flows from Operating Activities		(14,131)
7,604	Investing Activities	25	22,295
10,123	Financing Activities	26	(16,613)
(17,248)	Net (increase)/decrease in cash and cash equivalents		(8,449)
33,135	Cash and cash equivalents at the beginning of the reporting period	19	15,887
15,887	Cash and cash equivalents at the end of the reporting period	19	7,438

NOTES TO THE ACCOUNTS

NOTE I – ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20* 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.

1.2 Accruals of Expenditure and Income

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

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

1.4 Contingent 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.

NOTE 1 – ACCOUNTING POLICIES (continued)

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

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 that employees can carry forward into the next financial year. The accrual is charged to the 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 Children and Family Support line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

1.6.4 The Local Government Pension Scheme

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

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

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

NOTE 1 – ACCOUNTING POLICIES (continued)

Liabilities are discounted to their value at current prices, using a discount rate of 2.3% calculated as a weighted average of 'spot yields' on AA rated corporate bonds.

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

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate costs.
- Net interest on the net pension defined benefit liability/(asset), i.e. the net interest expense for the Authority – the change during the period in the net pension 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 pension defined benefit liability/(asset) at the beginning of the period – taking into account any changes in the net pension 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 pension defined benefit liability/ (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Gwynedd Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities not accounted for as an expense.

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

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

1.6.5 Discretionary Benefits

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

NOTE 1 – ACCOUNTING POLICIES (continued)

1.7 Events After the Reporting Period

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

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

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

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

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

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

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

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority holds financial assets measured at:

- amortised cost, and
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI). A separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income.

NOTE 1 – ACCOUNTING POLICIES (continued)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised costs, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on the ir obligations.

Financial Assets Measured at Fair Value Through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instruments and are initially measured and carried at fair value. Fair value gains are recognised as they arise in other comprehensive income.

Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair Value Measurements of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the authority's financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

NOTE 1 – ACCOUNTING POLICIES (continued)

The measurement of our assets held at FVOCI is unit bid price at the measurement date.

1.10 Government Grants and Other Contributions

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

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

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

1.11 Heritage Assets

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

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

The Council 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 deminimis 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.

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

1.13 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.

NOTE 1 – ACCOUNTING POLICIES (continued)

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.

1.17 Long-Term Assets

The Council's assets as recorded on the Property Services database are revalued at least every five years. Since the 2015/16 financial year, the Authority has established a rolling programme for re-valuing different categories of these assets annually, with valuation usually effective on 31 March each year. This is in accordance with the Code and the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors.

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

Investment Properties are shown at fair value.

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

Infrastructure and community assets are shown at depreciated historical cost.

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

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

Expenditure in year on new and existing assets is added annually, and then consideration is given as to whether this expenditure has increased the value of the asset. If there has been an increase, this is reflected through the

NOTE I – ACCOUNTING POLICIES (continued)

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.

There is high level of uncertainty about the medium term implications of the current effects of the Covid-19 pandemic and the United Kingdom's exit from the European Union. The assumption has been made that this will not significantly impair the value of the Council's assets. The assumption made will need to be reviewed regularly.

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 for an asset 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 2019/20 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

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.

NOTE 1 – ACCOUNTING POLICIES (continued)

Minimum Revenue Provision

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

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: Capital Financing Requirement Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

NB This does not preclude other prudent methods.

MRP in 2019/20: 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 2019/20 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.

1.18 Council Tax and National Non-Domestic Rates

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

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

1.19 Provisions

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

1.20 Reserves (and Balances)

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

- General Fund which represents the general reserves (“balances”) of the Authority, namely a working balance to help cushion the impact of uneven cash flows and as a contingency to cushion the impact of unexpected events or emergencies.
- Number of capital and revenue Specific Reserves earmarked for specific purposes, namely, money accumulated to meet anticipated commitments. The Council undertakes a continuous review of the adequacy and use of specific reserves.
- The Council takes a risk-based approach to maintaining an adequate level of balances and reserves to meet future spending needs. When considering the annual budget and medium-term financial strategy, the Council will

NOTE I – ACCOUNTING POLICIES (continued)

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.

I.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.

I.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.

I.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.

I.24 Allocation of Interest Received

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

I.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.

I.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.

I.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.

I.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

NOTE I – ACCOUNTING POLICIES (continued)

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 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.

1.31 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 the 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.

1.32 Schools

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

1.33 Fair Value Measurement of Non-Financial Assets

The Authority's accounting policy for fair value measurement of financial asset is set out in note 1.9. The Authority also 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 in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

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

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 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;

NOTE 1 – ACCOUNTING POLICIES (continued)

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly; or
- Level 3 – unobservable inputs for the asset.

I.34 Other Policies

Gwynedd Council has policies in respect of the following, but they are not considered material for the 2019/20 financial year:

- Intangible Assets
- Foreign Currency Conversion.

NOTE 2 – CHANGE IN ACCOUNTING POLICY

The Council's existing accounting policies are amended only insofar as to reflect the guidance in the 2019/20 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

The following items have been adjusted in 19/20 for the prior period due to the new Housing and Property department being formed, and operational from September 2019.

EXPENDITURE AND FUNDING ANALYSIS

	As previously stated 2018-19			Reclassification			2018-19 Restated		
	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education	83,432	0	83,432	0	0	0	83,432	0	83,432
Corporate Support	7,801	0	7,801	0	0	0	7,801	0	7,801
Finance	5,915	0	5,915	0	0	0	5,915	0	5,915
Economy and Community	4,273	0	4,273	0	0	0	4,273	0	4,273
Health, Health and Wellbeing	51,135	(63)	51,072	(1,729)	0	(1,729)	49,406	(63)	49,343
Children and Family Support	15,792	0	15,792	0	0	0	15,792	0	15,792
Highways and Municipal (including Trunk Roads*)	24,309	0	24,309	0	0	0	24,309	0	24,309
Environment	2,969	0	2,969	(1,481)	0	(1,481)	1,488	0	1,488
Housing and Property	0	0	0	3,210	0	3,210	3,210	0	3,210
Corporate Management Team and Legal	1,686	0	1,686	0	0	0	1,686	0	1,686
Gwynedd Consultancy	432	0	432	0	0	0	432	0	432
Corporate	9,297	35,901	45,198	0	0	0	9,297	35,901	45,198
Cost of Services	207,041	35,838	242,879	0	0	0	207,041	35,838	242,879
Other Operating Expenditure	22,578	174	22,752	0	0	0	22,578	174	22,752
Financing and Investment Income and Expenditure	17,502	(5,262)	12,240	0	0	0	17,502	(5,262)	12,240
Taxation and non-specific grant income	(259,617)	(13,581)	(273,198)	0	0	0	(259,617)	(13,581)	(273,198)
(Surplus)/Deficit on Provision of Services	(12,496)	17,169	4,673	0	0	0	(12,496)	17,169	4,673
Opening General Fund Balance	(52,389)			0			(52,389)		
Less/Plus (Surplus)/Deficit on General Fund in Year	(12,496)			0			(12,496)		
Closing General Fund Balance	(64,885)			0			(64,885)		

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

Comprehensive Income and Expenditure Statement

	Note	As previously stated 2018-19			Reclassification			2018-19 Restated		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education		105,225	(21,793)	83,432	0	0	0	105,225	(21,793)	83,432
Corporate Support		9,339	(1,538)	7,801	0	0	0	9,339	(1,538)	7,801
Finance		8,298	(2,383)	5,915	0	0	0	8,298	(2,383)	5,915
Economy and Community		12,787	(8,514)	4,273	0	0	0	12,787	(8,514)	4,273
Adults, Health and Wellbeing		75,914	(24,842)	51,072	(2,831)	1,102	(1,729)	73,083	(23,740)	49,343
Children and Family Support		25,835	(10,043)	15,792	0	0	0	25,835	(10,043)	15,792
Highways and Municipal (including Trunk Roads*)		41,701	(17,392)	24,309	0	0	0	41,701	(17,392)	24,309
Environment		11,937	(8,968)	2,969	(2,102)	621	(1,481)	9,835	(8,347)	1,488
Housing and Property		0	0	0	4,933	(1,723)	3,210	4,933	(1,723)	3,210
Corporate Management Team and Legal		2,342	(656)	1,686	0	0	0	2,342	(656)	1,686
Gwynedd Consultancy		5,862	(5,430)	432	0	0	0	5,862	(5,430)	432
Corporate		78,289	(33,091)	45,198	0	0	0	78,289	(33,091)	45,198
Cost of Services		377,529	(134,650)	242,879	0	0	0	377,529	(134,650)	242,879
Other Operating Expenditure	11	22,752	0	22,752	0	0	0	22,752	0	22,752
Financing and Investment Income and Expenditure	12	12,547	(307)	12,240	0	0	0	12,547	(307)	12,240
Taxation and non-specific grant income	13	0	(273,198)	(273,198)	0	0	0	0	(273,198)	(273,198)
(Surplus)/Deficit on Provision of Services		412,828	(408,155)	4,673	0	0	0	412,828	(408,155)	4,673
(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets	23			(10,326)			0			(10,326)
(Surplus) / Deficit on revaluation of Financial Instruments	23			448			0			448
Remeasurements of the net pension defined benefit liability/(assets)	23			48,870			0			48,870
Other Comprehensive Income and Expenditure				38,992			0			38,992
Total Comprehensive Income and Expenditure				43,665			0			43,665

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

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 2020/21 Code:-

Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

Annual Improvements to IFRS Standards 2015-2017 Cycle

Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The Code requires implementation from 1 April 2020 and therefore there is no impact on the 2019/20 Statement of Accounts, and none of the new or amended standards within the 2020/21 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. The impact of the decision for Britain to leave the European Union also remains unclear. The effects of COVID-19 at the end of March 2020 has been another factor to consider. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired

All available and related information is sourced and applied in assessing and determining the position, which is particularly critical when considering such matters as 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 2020 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

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

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. 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 18a.

NOTE 7 – MATERIAL ITEMS OF INCOME AND EXPENSE

Material items of income and expense include the following:

- £92m on pensions, being the remeasurements of the net pension defined benefit assets relating to pensions, in line with Gwynedd Pension Fund's Actuary's assessment (Note 23.5).
- Following a revaluation of part of the Council's land and buildings portfolio (which is now carried out on a rolling programme basis), a net surplus of £4m on the revaluation of property, plant and equipment assets (Note 15 and 23.1).

NOTE 8 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

<u>2019/20</u>	<u>ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS</u>					
	Adjustments for Capital Purposes (i) £'000	Net change for the Pensions Adjustments (ii) £'000	Other Differences (iii) £'000	Total Statutory Adjustments £'000	Other (Non-statutory) Adjustments (iv) £'000	Total Adjustments £'000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts						
Education	0	0	0	0	0	0
Corporate Support	0	0	0	0	0	0
Finance	0	0	0	0	0	0
Economy and Community	0	0	0	0	0	0
Adults, Health and Wellbeing	0	0	0	0	(65)	(65)
Children and Family Support	0	0	0	0	0	0
Highways and Municipal (including Trunk Roads*)	0	0	0	0	0	0
Environment	0	0	0	0	0	0
Housing and Property	0	0	0	0	0	0
Corporate Management Team and Legal	0	0	0	0	0	0
Gwynedd Consultancy	0	0	0	0	0	0
Corporate	22,729	23,269	700	46,698	(156)	46,542
Cost of Services	22,729	23,269	700	46,698	(221)	46,477
Other Operating Expenditure	(171)	0	0	(171)	0	(171)
Financing and Investment Income and Expenditure	(10,005)	7,441	(97)	(2,661)	221	(2,440)
Taxation and non-specific grant income	(18,252)	0	0	(18,252)	0	(18,252)
(Surplus)/Deficit on Provision of Services	(5,699)	30,710	603	25,614	0	25,614

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

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

<u>2018/19</u>	<u>ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS</u>					
	<u>Adjustments for Capital Purposes (i)</u>	<u>Net change for the Pensions Adjustments (ii)</u>	<u>Other Differences (iii)</u>	<u>Total Statutory Adjustments</u>	<u>Other (Non-statutory) Adjustments (iv)</u>	<u>Total Adjustments</u>
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	£'000	£'000	£'000	£'000	£'000	£'000
Education	0	0	0	0	0	0
Corporate Support	0	0	0	0	0	0
Finance	0	0	0	0	0	0
Economy and Community	0	0	0	0	0	0
Adults, Health and Wellbeing	0	0	0	0	(63)	(63)
Children and Family Support	0	0	0	0	0	0
Highways and Municipal (including Trunk Roads*)	0	0	0	0	0	0
Environment	0	0	0	0	0	0
Housing and Property	0	0	0	0	0	0
Corporate Management Team and Legal	0	0	0	0	0	0
Gwynedd Consultancy	0	0	0	0	0	0
Corporate	19,110	16,300	516	35,926	(25)	35,901
Cost of Services	19,110	16,300	516	35,926	(88)	35,838
Other Operating Expenditure	174	0	0	174	0	174
Financing and Investment Income and Expenditure	(11,635)	6,363	(78)	(5,350)	88	(5,262)
Taxation and non-specific grant income	(13,581)	0	0	(13,581)	0	(13,581)
(Surplus)/Deficit on Provision of Services	(5,932)	22,663	438	17,169	0	17,169

* 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.

(iv) Other (Non-statutory) Adjustments

- **Services** - the impairment loss allowance on Trade Debtors is deducted and transferred to financing and investment income and expenditure.
- **Financing and investment income and expenditure** – adjusted to include the transfer of the impairment loss allowance on Trade Debtors from services.

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.

2019/20	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)	(30,710)	0	0	30,710
Financial instruments (transferred to the Financial Instruments Adjustments Account)	50	0	0	(50)
Holiday pay (transferred to (or from) the Accumulated Absences Reserve)	(599)	0	0	599
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)	(4,305)	0	0	4,305
Total Adjustments to Revenue Resources	(35,564)	0	0	35,564
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	(54)	(494)	0	548
Revenue provision for the financing of supported capital investment	5,465	0	0	(5,465)
Revenue provision for the financing of unsupported capital investment	1,954	0	0	(1,954)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,585	0	0	(2,585)
Total Adjustments between Revenue and Capital Resources	9,950	(494)	0	(9,456)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	423	0	(423)
Application of capital grants to finance capital expenditure	0	0	1,295	(1,295)
Cash payments in relation to deferred capital receipts	0	0	0	0
Total Adjustments to Capital Resources	0	423	1,295	(1,718)
TOTAL ADJUSTMENTS	(25,614)	(71)	1,295	24,390

2018/19	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)	(22,663)	0	0	22,663
Financial instruments (transferred to the Financial Instruments Adjustments Account)	56	0	0	(56)
Holiday pay (transferred to (or from) the Accumulated Absences Reserve)	(484)	0	0	484
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)	(5,703)	0	0	5,703
Total Adjustments to Revenue Resources	(28,794)	0	0	28,794
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	(10)	(572)	0	582
Revenue provision for the financing of supported capital investment	5,505	0	0	(5,505)
Revenue provision for the financing of unsupported capital investment	1,939	0	0	(1,939)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,191	0	0	(4,191)
Total Adjustments between Revenue and Capital Resources	11,625	(572)	0	(11,053)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	161	0	(161)
Application of capital grants to finance capital expenditure	0	0	(3,918)	3,918
Cash payments in relation to deferred capital receipts	0	0	0	0
Total Adjustments to Capital Resources	0	161	(3,918)	3,757
TOTAL ADJUSTMENTS	(17,169)	(411)	(3,918)	21,498

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 £333k as compared to the balance on 31 March 2019:

2019-20	Balance	Transfers			Balance
	31 March 2019 £'000	between reserves £'000	in £'000	out £'000	31 March 2020 £'000
School Balances	4,000	0	944	(611)	4,333
Total	4,000	0	944	(611)	4,333

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 2019/20, with a net increase of £5m since the position at 31 March 2019.

Note	2019-20	Balance		Transfers		Balance
		31 March 2019 £'000	between reserves £'000	in £'000	out £'000	31 March 2020 £'000
10.1	Renewals Reserves	5,849	0	2,606	(638)	7,817
10.2	Capital Reserves	10,740	790	611	(144)	11,997
10.3	Insurance Reserves	1,990	(100)	975	(478)	2,387
10.4	Services Fund	3,835	(236)	832	(1,058)	3,373
10.5	Convergence Programme Fund	1,279	0	0	(147)	1,132
10.6	Redundancy Costs to Realise Savings Reserve	3,568	0	0	(332)	3,236
10.7	Central Training	384	0	0	(164)	220
10.8	Education Services Reserves	894	0	760	(734)	920
10.9	Economy and Community Reserves	328	0	13	(170)	171
10.10	Highways and Municipal Reserves	343	0	33	0	376
10.11	Gwynedd Consultancy Reserves	185	0	0	0	185
10.12	Environment Reserves	2,665	(612)	106	(645)	1,514
10.13	Housing and Property Reserves	0	938	1,153	(167)	1,924
10.14	Care Reserves	1,024	(141)	296	(151)	1,028
10.15	Ffordd Gwynedd Fund	450	0	0	0	450
10.16	Invest to Save Fund - Carbon Reduction Plan	635	0	0	(6)	629
10.17	Transformation / Council Plan	10,426	(710)	217	(884)	9,049
10.18	Committed Revenue Grants Fund	605	0	221	(16)	810
10.19	Housing Water and Sewerage Services Fund	397	0	0	(69)	328
10.20	Housing Environmental Warranty	480	0	0	0	480
10.21	Information Technology Reserve	543	(145)	222	0	620
10.22	Supporting the Financial Strategy Reserve	2,286	790	2,271	(2,691)	2,656
10.23	Welfare Fund	222	(122)	0	0	100
10.24	Partnering Arrangements	336	(32)	10	(8)	306
10.25	North Wales Economic Ambition Board	336	0	161	0	497
10.26	Liabilities Related to the Pension Fund	40	(262)	4,250	(3,000)	1,028
10.27	Council Tax Property Transfers Reserve	490	0	0	0	490
10.28	Council Tax Premium Reserve	2,749	0	2,899	(644)	5,004
10.29	Various Other Reserves	736	(158)	21	(141)	458
	Total	53,815	0	17,657	(12,287)	59,185

The earmarked reserves closing balance as at 31 March 2020 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 are used by the various departments of the Council to replace vehicles and equipment.
- 10.2 The Capital Reserves represents resources already committed to assist in financing the Council's Capital Programme and other requirements.
- 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 Reserve also includes an element relating to the relevant insurance requirements of the former Gwynedd County Council (pre 1996) and which is administered by Gwynedd Council.
- 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) together with likely requirements from contracts.
- 10.11 Gwynedd Consultancy Reserves – includes amounts set aside to protect against situations of uneven expenditure on some work fields and possible additional employment requirements resulting from changes in the Consultancy Service's work programme.
- 10.12 Environment Reserves – include a number of balances relating to Transport, schemes operating mainly on a partnership basis, and where the scheme balances must be accounted for separately, together with specific requirements relating to the Unitary Development Plan, and amounts for uneven expenditure situation.
- 10.13 Housing and Property Reserves - includes amounts set aside to protect against possible situations of uneven expenditure together with various other reserves for the Council's housing and property needs.
- 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 / Council Plan – 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.
- 10.18 Committed Revenue Grants Fund – includes revenue grants received and committed for future use.

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

- 10.19 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.
- 10.20 Housing Environmental Warranty – reserved for possible implications as a result of giving environmental warranties to Adra, in connection with specific and special circumstances that relate to environmental plans on the land of old council housing estates.
- 10.21 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.
- 10.22 Supporting the Financial Strategy Reserve – a fund established to assist and support the Council's financial strategy.
- 10.23 Welfare Fund - provision to respond to uneven patterns in the related requirements.
- 10.24 Partnering Arrangements – includes amounts allocated in relation to various requirements of partnerships and joint working.
- 10.25 North Wales Economic Ambition Board - for the requirements and commitments of the economic promotion plan relevant to the North Wales Economic Ambition Board.
- 10.26 Liabilities Related to the Pension Fund – for various future requirements and commitments related to the Pension Fund.
- 10.27 Council Tax Property Transfer Reserve – provision relating to the implications of properties transferring from Council Tax to National Domestic Rates.
- 10.28 Council Tax Premium Reserve - provision from the Council Tax Premium for achieving the Council's priorities which includes the Housing Strategy.
- 10.29 Various Other Reserves – includes amounts set aside to meet a variety of other commitments.

NOTE 11 – OTHER OPERATING EXPENDITURE

2018/19		2019/20
£'000		£'000
2,206	Community Council's Precepts	2,344
	Levies	
13,444	North Wales Police & Crime Commissioner	14,441
5,914	North Wales Fire Authority	6,227
912	Snowdonia National Park Authority	962
102	Local Drainage Boards	109
20,372		21,739
174	(Gains)/losses on the disposal and de-recognition of non-current assets	(171)
22,752	Total	23,912

NOTE 12 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19		2019/20
£'000		£'000
6,092	Interest payable and similar charges	6,010
6,363	Net interest on the net pension defined benefit liability (asset)	7,441
(307)	Interest receivable and similar income	(546)
92	Adjustments to provisions and the fair value of financial instruments	227
12,240	Total	13,132

NOTE 13 – TAXATION AND NON-SPECIFIC GRANT INCOME

2018/19		Note	2019/20
£'000			£'000
(84,490)	Council Tax Income	13a	(89,364)
(40,191)	Non-Domestic Rates	13b	(40,502)
(134,936)	Non-ring-fenced Government Grants	32	(136,049)
(13,581)	Capital Grants and Contributions	32	(18,253)
(273,198)	Total		(284,168)

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 2019/20 was calculated as follows:-

CALCULATION OF THE COUNCIL TAX BASE FOR 2019/20			
Valuation Bands	Number of Properties following discounts	Statutory Multiplier	Equivalent Band D properties
A*	6	5/9	3.19
A	7,602	6/9	5,068.14
B	13,675	7/9	10,635.77
C	10,952	8/9	9,735.36
D	9,504	1	9,504.46
E	7,688	11/9	9,396.64
F	3,828	13/9	5,528.75
G	1,227	15/9	2,044.58
H	190	18/9	380.00
I	66	21/9	154.00
		Total	52,450.89
		Council Tax base after allowing for losses on collection	51,926.38

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

2018/19		2019/20
£'000		£'000
(84,956)	Council Tax raised	(89,964)
466	Less Increase in the impairment allowance for non-collection	600
(84,490)		(89,364)

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 (52.6p in 2019/20) 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 2019/20 financial year there were 8,699 properties on the local valuation list in Gwynedd, representing a rateable value of £112,887,953.

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

2018/19	2019/20
£'000	£'000
(41,525) National Non-domestic Rate raised	(41,974)
409 Cost of Collection allowance	424
501 Provision for Bad Debts	680
40,615 Sum paid to the National Pool	40,870
0	0
(40,191) Receipts from the National Pool	(40,502)
(40,191) Net Income from Non-Domestic Rates	(40,502)

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 2019/20 and an accumulated loss over a period of three years.

2019/20	£'000
Total charges income received (excluding VAT)	(412)
Total charges expenditure incurred	434
(Surplus)/Deficit for 2019/20	22
(Surplus)/Deficit for 2018/19	24
(Surplus)/Deficit for 2017/18	20
(Surplus)/Deficit for the last three years	66

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Movements on Property, Plant and Equipment Balances

Movements in 2019/20:

	Land and Buildings £'000	Infrastructure £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant and Equipment £'000
Value							
Balance at 1.04.19	306,537	208,377	44,231	1,144	2,263	9,615	572,167
Additions	7,417	7,166	6,622	4	24	4,940	26,173
Sales	(6)	0	(1,548)	0	(330)	0	(1,884)
Transfers	10,893	0	0	0	275	(10,628)	540
Revaluation - to Revaluation Reserve	467	0	0	(132)	(175)	0	160
Revaluation - to Services	(374)	0	0	(329)	(68)	0	(771)
Balance at 31.03.20	324,934	215,543	49,305	687	1,989	3,927	596,385
Depreciation							
Balance at 1.04.19	7,205	49,983	27,500	2	(1)	0	84,689
Depreciation in year	5,834	5,585	4,223	2	9	0	15,653
Sales	0	0	(1,477)	0	0	0	(1,477)
Transfers	0	0	0	0	0	0	0
Revaluation	(3,900)	0	0	0	(5)	0	(3,905)
Balance at 31.03.20	9,139	55,568	30,246	4	3	0	94,960
Impairment							
Balance at 1.04.19	34,306	63	68	229	39	0	34,705
Impairment in year - to Revaluation Reserve	3,352	0	0	0	0	0	3,352
Impairment in year - to Services	3,438	0	0	0	24	0	3,462
Sales	0	0	0	0	(30)	0	(30)
Transfers	0	0	0	0	0	0	0
Revaluation	(3,519)	0	0	(132)	(7)	0	(3,658)
Balance at 31.03.20	37,577	63	68	97	26	0	37,831
Net Book Value	278,218	159,912	18,991	586	1,960	3,927	463,594
31 March 2020							
Net Book Value	265,026	158,331	16,663	913	2,225	9,615	452,773
31 March 2019							

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

Comparative Movements in 2018/19:

	Land and Buildings £'000	Infrastructure £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant and Equipment £'000
Value							
Balance at 1.04.18	294,688	202,527	40,588	1,128	2,267	8,414	549,612
Additions	7,531	5,850	5,189	16	40	1,201	19,827
Sales	(901)	0	(1,546)	0	0	0	(2,447)
Transfers	(576)	0	0	0	76	0	(500)
Revaluation - to Revaluation Reserve	4,270	0	0	0	(141)	0	4,129
Revaluation - to Services	1,525	0	0	0	21	0	1,546
Balance at 31.03.19	306,537	208,377	44,231	1,144	2,263	9,615	572,167
Depreciation							
Balance at 1.04.18	6,397	44,545	25,242	0	(1)	0	76,183
Depreciation in year	5,634	5,438	3,702	2	0	0	14,776
Sales	(95)	0	(1,444)	0	0	0	(1,539)
Transfers	0	0	0	0	0	0	0
Revaluation	(4,731)	0	0	0	0	0	(4,731)
Balance at 31.03.19	7,205	49,983	27,500	2	(1)	0	84,689
Impairment							
Balance at 1.04.18	32,381	63	68	229	9	0	32,750
Impairment in year - to Revaluation Reserve	3,596	0	0	0	7	0	3,603
Impairment in year - to Services	3,377	0	0	0	33	0	3,410
Sales	(30)	0	0	0	0	0	(30)
Transfers	0	0	0	0	0	0	0
Revaluation	(5,018)	0	0	0	(10)	0	(5,028)
Balance at 31.03.19	34,306	63	68	229	39	0	34,705
Net Book Value 31 March 2019	265,026	158,331	16,663	913	2,225	9,615	452,773
Net Book Value 31 March 2018	255,910	157,919	15,278	899	2,259	8,414	440,679

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 there is high level of uncertainty about the medium term implications of the current effects of the Covid-19 pandemic and the United Kingdom's exit from the European Union. The assumption has been made that this will not significantly impair the value of the Council's assets. The assumption made will need to be reviewed regularly. Note also 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.

11 schools under church governance are used by the Education Department, with 10 of the buildings not included in the table above because they are not owned by the Council. The Council is responsible for their repair and maintenance, but the amounts are not significant. Ysgol Cae Top 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 2020 were as follows:

	Sum	Payments to date	Balance
	£'000	£'000	£'000
Ysgol Y Garnedd - extension and refurbishment	8,104	4,344	3,760

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:

	2018/19	2019/20
	£'000	£'000
Rental income from investment property	91	7
Net gain/(loss)	91	7

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:

	2018/19	2019/20
	£'000	£'000
Balance 1 April	116	705
Disposals	0	0
Net gains/(losses) from fair value adjustments	89	0
<u>Transfers:</u>		
(to)/from Property, Plant and Equipment	500	(540)
Balance 31 March	705	165

NOTE 17a – FINANCIAL INSTRUMENTS

(i) 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 41
- 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, equity instruments or a contractual right to receive cash or another financial asset or a right to exchange financial assets and liabilities with another entity that is favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

Amortised Cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- cash
- bank and deposit 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

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:

- pooled bond, equity and property funds held as strategic investments

Fair value through profit and loss (all other financial assets) comprising:

- money market funds

NOTE 17a – FINANCIAL INSTRUMENTS (continued)

(ii) 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 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000
<i>Loans at amortised cost:</i>				
Principal sum borrowed	105,924	104,346	2,236	20,578
Accrued interest	0	0	534	534
Total Borrowing*	105,924	104,346	2,770	21,112
<i>Loans at amortised cost:</i>				
Bank overdraft	0	0	30,573	22,338
Total Cash Overdrawn	0	0	30,573	22,338
<i>Liabilities at amortised cost:</i>				
Finance Leases	1,700	1,540	0	0
Total other Long-Term Liabilities	1,700	1,540	0	0
<i>Liabilities at amortised cost:</i>				
Trade Payables	0	0	31,904	33,972
Finance Leases	0	0	151	160
Included in Creditors**	0	0	32,055	34,132
Total Financial Liabilities	107,624	105,886	65,398	77,582

*The total short-term borrowing includes £1,848,000 (2019: £2,770,000) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

** The short-term creditors line on the Balance Sheet includes £19,017,000 (£21,225,000 at 31 March 2019) creditors (Note 21) that do not meet the definition of a financial liability.

NOTE 17a – 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 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
<i>At amortised cost:</i>				
Principal	17	17	10,000	3,000
Accrued interest	0	0	19	3
Loss allowance	0	0	(4)	(4)
<i>At fair value through other comprehensive income:</i>				
Principal at amortised cost	0	0	10,000	9,552
Loss allowance	0	0	0	0
Fair value adjustment	0	0	(448)	(1,292)
Total Investments	17	17	19,567	11,259
<i>At amortised cost:</i>				
Principal	0	0	5,243	5,770
Accrued interest	0	0	3	1
Loss allowance	0	0	0	(6)
<i>At fair value through profit and loss:</i>				
Fair value	0	0	9,440	9,135
Total Cash and Cash Equivalents	0	0	14,686	14,900
<i>At amortised cost:</i>				
Trade receivables	4,139	3,948	12,133	16,723
Included in Debtors*	4,139	3,948	12,133	16,723
Total Financial Assets	4,156	3,965	46,386	42,882

* The short-term debtors line on the Balance Sheet includes £59,692,000 (£43,701,000 at 31 March 2019) 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 2019/20 Code of Practice sets out specific accounting and disclosure requirements for soft loans. During 2019/20 Gwynedd Council identified the following “soft loans”:

- Deferred Payments on charges due from people under care (amount outstanding at 31.03.20 £1,834,265)
- Car and Bike Loans to employees (amount outstanding at 31.03.20 £1,090,816)

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

NOTE 17a – FINANCIAL INSTRUMENTS (continued)

Equity instruments elected to fair value through other comprehensive income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performances.

	Fair Value		Dividends	
	31 March 2019	31 March 2020	2018/19	2019/20
	£'000	£'000	£'000	£'000
CCLA LAMIT Property Fund	4,603	4,438	17	199
Investec Diversified Income Fund	1,246	1,130	4	51
Schroder Income Maximiser Fund	2,445	1,633	38	62
Kames Diversified Monthly Income Fund	1,258	1,059	11	187
TOTAL	9,552	8,260	70	499

Offsetting Financial Assets and Liabilities

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

	31 March 2019			31 March 2020		
	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	19,656	(19,656)	0	23,115	(23,115)	0
Total Financial Assets	19,656	(19,656)	0	23,115	(23,115)	0
Bank overdraft	(50,229)	19,656	(30,573)	(45,453)	23,115	(22,338)
Total Financial Liabilities	(50,229)	19,656	(30,573)	(45,453)	23,115	(22,338)

17a – FINANCIAL INSTRUMENTS (continued)

(iii) 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:

	Financial Liabilities	Financial Assets			2019/20 Total	2018/19 Total
	Amortised Cost	Amortised Cost	Elected to Fair Value through OCI	Fair Value through Profit & Loss		
	£'000	£'000	£'000	£'000		
Interest expense	6,010	0	0	0	6,010	6,092
Interest payable and similar charges	6,010	0	0	0	6,010	6,092
Interest income	0	(123)	0	0	(123)	(138)
Dividend income	0	0	(326)	(97)	(423)	(169)
Interest and investment income	0	(123)	(326)	(97)	(546)	(307)
Expected credit loss	0	6	0	0	6	4
Adjustments to provisions and the fair value of financial instruments	0	6	0	0	6	4
Net impact on surplus/deficit on provision of services	6,010	(117)	(326)	(97)	5,470	5,789
Gains on revaluation	0	0	0	0	0	7
Losses on revaluation	0	0	(1,292)	0	(1,292)	(455)
Impact on other comprehensive income	0	0	(1,292)	0	(1,292)	(448)
Net (gain)/loss for the year	6,010	(117)	(1,618)	(97)	4,178	5,341

(iv) Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including property funds and shares in money market funds, the fair value is taken from the market price.

NOTE 17a – FINANCIAL INSTRUMENTS (continued)

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including property funds and shares in money market funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost 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 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of 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.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

NOTE 17a – FINANCIAL INSTRUMENTS (continued)

	Fair Value Level	Balance Sheet 31 March 2019 £'000	Fair Value 31 March 2019 £'000	Balance Sheet 31 March 2020 £'000	Fair Value 31 March 2020 £'000
<i>Financial Liabilities held at amortised cost:</i>					
Long- term loans from PWLB	2	(90,609)	(142,222)	(88,652)	(141,125)
Other long-term loans	2	(18,085)	(28,264)	(17,806)	(29,462)
Lease payables	2	(1,851)	(1,851)	(1,700)	(1,700)
<i>Other liabilities:</i>					
Loan commitments made	2	0	0	(19,000)	(19,000)
TOTAL		(110,545)	(172,337)	(127,158)	(191,287)
Liabilities for which fair value is not disclosed		(31,904)		(33,972)	
TOTAL FINANCIAL LIABILITIES		(142,449)		(161,130)	
Recorded on Balance Sheet as:					
Short-term creditors		(31,904)		(33,972)	
Short-term borrowing		(2,770)		(21,112)	
Short-term finance lease liability		(151)		(160)	
Long-term borrowing		(105,924)		(104,346)	
Long-term finance lease liability		(1,700)		(1,540)	
TOTAL FINANCIAL LIABILITIES		(142,449)		(161,130)	

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

NOTE 17a – FINANCIAL INSTRUMENTS (continued)

The fair value of long-term liabilities is higher than its Balance Sheet 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.

	Fair Value Level	Balance Sheet 31 March 2019 £'000	Fair Value 31 March 2019 £'000	Balance Sheet 31 March 2020 £'000	Fair Value 31 March 2020 £'000
<i>Financial assets held at fair value:</i>					
Money market funds	1	9,440	9,440	9,135	9,135
Property funds	2	9,552	9,552	8,260	8,260
<i>Financial assets held at amortised cost:</i>					
Bank deposits	2	15,261	15,261	8,764	8,764
Treasury Stock	1	17	17	17	17
TOTAL		34,270	34,270	26,176	26,176
Assets for which fair values is not disclosed		16,272		20,671	
TOTAL FINANCIAL ASSETS		50,542		46,847	
<i>Recorded on Balance Sheet as:</i>					
Long-term debtors		4,139		3,948	
Long-term investments		17		17	
Short-term debtors		12,133		16,723	
Short-term investments		19,567		11,259	
Cash and cash equivalents		14,686		14,900	
TOTAL FINANCIAL ASSETS		50,542		46,847	

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

Property funds totalling £8.26m have been moved from level 1 to level 2 of the hierarchy for 2019/20 reflecting that there is no longer an active market in these instruments. Fund managers have suspended redemptions reflecting market conditions for underlying properties caused by the economic consequences of the COVID-19 pandemic.

NOTE 17b – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both 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.
- *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. 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 2019/20 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). The Council also set a total group investment limit of 5% for institutions that are part of the same banking group. No more than £30m in total could be invested for a period longer than one year.

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 2020. The administration is continuing, but the full amount is expected to be recovered in due course.

The Council does not hold collateral security against any investments.

**NOTE 17b – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(continued)**

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

Short-Term		
Credit Rating	31 March 2019 £'000	31 March 2020 £'000
AAA	0	0
AA+	0	0
AA	0	0
AA-	2,005	0
A+	2,004	0
A	4,002	2,999
A-	2,004	0
Unrated building societies	0	0
Unrated local authorities	0	0
Total	10,015	2,999
Pooled funds*	9,552	8,260
Total Investments	19,567	11,259

* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments and cash and cash equivalents have been calculated by reference to historic default data published by credit rating agencies, multiplied by 365% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a “D” credit rating or equivalent. At 31 March 2020, £9,764 (2019: £4,181) of loss allowances related to treasury investments.

**NOTE 17b – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(continued)**

Credit Risk: Trade Receivables

The age profile of the trade balance in our debtor system at 31 March can be analysed as follows:-

31 March 2019		31 March 2020
£'000		£'000
5,162	Less than a year	5,592
1,913	Over a year	2,176
7,075		7,768

Historical experience of default and current and forecast economic conditions are considered in calculating our impairment loss allowance.

Credit Risk: Loans, Financial Guarantees and Loan Commitments

The Council manages the credit risk inherent in its loans for service purposes, financial guarantees and loan commitments in line with its published Investment Strategy.

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 2019	31 March 2020
	£'000	£'000
Less than 1 year	2,236	20,577
Over 1 but not over 2	1,577	1,561
Over 2 but not over 5	4,195	9,415
Over 5 but not over 10	16,244	10,788
Over 10 but not over 20	34,612	35,055
Over 20 but not over 30	5,744	3,976
Over 30 but not over 40	27,352	27,352
Over 40	16,200	16,200
Total	108,160	124,924

**NOTE 17b – NATURE AND EXTENT OF RISKS ARISING FROM 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 measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. 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 measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

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 2020, 100% (2019: 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 (with all other variables held constant) the financial effect would be:

	31 March 2019 £'000	31 March 2020 £'000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	20	44
Impact on Surplus or Deficit on the Provision of Services	20	44
Change in fair value of fixed rate investment assets	(9)	(31)
Impact on Other Comprehensive Income and Expenditure	(9)	(31)
Change in fair value of fixed rate borrowings / liabilities*	(24,192)	(24,483)

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

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

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's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to pooled property investments of £20m. A 5% fall in commercial property prices at 31 March 2020 would result in a £0.11m (2019: £0.5m) charge to Other Comprehensive Income and Expenditure.

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 18a – SHORT-TERM DEBTORS

31 March 2019		31 March 2020
£'000		£'000
11,754	Trade receivables	15,689
569	Prepayments	1,308
43,511	Other receivable amounts	59,418
55,834	Total	76,415

NOTE 18b - COUNCIL TAX DEBTORS

The past due date but not impaired amount for Council Tax can be analysed by age as follows:

31 March 2019		31 March 2020
£'000		£'000
1,682	Less than one year	1,907
584	More than one year	500
2,266	Total	2,407

The analysis above only shows those balances where assessment has indicated that, by exception, no impairment is required.

NOTE 19 – CASH AND CASH EQUIVALENTS

	31 March 2019	31 March 2020
	£'000	£'000
Cash in Hand	15	17
Bank Current Accounts	47	36
Call Accounts	14,624	14,847
Cash and Cash Equivalents	14,686	14,900
Bank Overdraft	(30,573)	(22,338)
Total	(15,887)	(7,438)

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 £8.2m (£22.6m at 31 March 2019).

NOTE 20 – ASSETS HELD FOR SALE

	2018/19	2019/20
	£'000	£'000
Balance 1 April	73	73
<u>Assets newly classified as held for sale:</u>		
Property, Plant and Equipment	0	0
Expenditure in year	0	0
Revaluation Losses	0	0
Impairment Losses	0	0
<u>Assets declassified as held for sale:</u>		
Property, Plant and Equipment	0	0
Assets sold	0	0
Balance 31 March	73	73

NOTE 21 – SHORT-TERM CREDITORS

	31 March 2019	31 March 2020
	£'000	£'000
Trade payables	32,055	34,132
Other payables	21,225	19,017
Total	53,280	53,149

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 2019 £'000	(Addition) / Reduction / Transfer £'000	Used during the year £'000	Balance at 31 March 2020 £'000
<u>Short-term Provisions</u>				
Waste Sites Provision	(278)	(347)	321	(304)
	(278)	(347)	321	(304)
<u>Long-term Provisions</u>				
Waste Sites Provision	(7,570)	(280)	0	(7,850)
Third Party Claims Provision	(24)	24	0	0
MMI Insurance Provision	(91)	91	0	0
	(7,685)	(165)	0	(7,850)
Total	(7,963)	(512)	321	(8,154)

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 Consultancy area.

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

NOTE 23 – UNUSABLE RESERVES

31 March 2019		31 March 2020
£'000		£'000
84,835	Revaluation Reserve	87,144
191,010	Capital Adjustment Account	199,941
(618)	Financial Instruments Revaluation Reserve	(1,740)
(687)	Financial Instruments Adjustment Account	(637)
(298,514)	Pensions Reserve	(237,519)
(3,870)	Accumulated Absences Account	(4,469)
(27,844)	Total Unusable Reserves	42,720

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.

2018/19		2019/20
£'000		£'000
76,405	Balance 1 April	84,835
14,951	Upward revaluation of assets	8,711
(4,625)	Downward revaluation of assets and impairment losses	(4,340)
10,326	Surplus/(deficit) on revaluation of assets	4,371
(1,411)	Difference between fair value depreciation and historical cost depreciation	(1,838)
(485)	Accumulated gains on assets sold	(224)
(1,896)	Amount written off to the Capital Adjustment Account	(2,062)
84,835	Balance 31 March	87,144

23.2 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.

NOTE 23 – UNUSABLE RESERVES (continued)

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.

2018/19		2019/20
£'000		£'000
187,522	Balance 1 April	191,010
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(16,591)	Charges for depreciation and impairment of non-current assets	(19,886)
(3,540)	Revenue Expenditure funded from Capital under Statute	(4,880)
(394)	Adjustment to non-current balance on the sale of assets	(153)
1,411	Transfer from Capital Revaluation Reserve	1,838
	<u>Capital financing applied in the year:</u>	
161	Capital Receipts	423
10,684	Grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	21,585
5,505	Revenue provision for the financing of supported capital investment	5,465
4,191	Capital expenditure charged in year against the General Fund	2,585
2,061	Capital receipts set aside / Revenue provision for the financing of unsupported capital investment	1,954
191,010	Balance 31 March	199,941

23.3 Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. 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.

2018/19		2019/20
£'000		£'000
(170)	Balance 1 April	(618)
(448)	Fair Value Adjustment	(1,293)
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	171
(618)	Balance 31 March	(1,740)

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.

NOTE 23 – UNUSABLE RESERVES (continued)

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:

2018/19		2019/20
£'000		£'000
(743)	Balance 1 April	(687)
46	Proportion of premiums incurred in previous years charged to General Fund in accordance with statute	61
10	Deferred credit for receipt of charges due from people under care	(11)
(687)	Balance 31 March	(637)

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 Council 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 Council 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 Council 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.

2018/19		2019/20
£'000		£'000
(226,981)	Balance 1 April	(298,514)
(48,870)	Re-measurements of the net pension defined benefit (liabilities) / assets	91,705
(43,015)	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	(54,752)
20,352	Employer’s pensions contributions and direct payments to pensioners payable in the year	24,042
(298,514)	Balance 31 March	(237,519)

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

NOTE 23 – UNUSABLE RESERVES (continued)

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.

2018/19		2019/20
£'000		£'000
(3,387)	Balance 1 April	(3,870)
(483)	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	(599)
(3,870)	Balance 31 March	(4,469)

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

2018/19	2019/20
£'000	£'000
(14,776) Depreciation	(15,653)
(1,815) Impairment and downward valuations	(4,233)
4,514 (Increase)/Decrease in Creditors	1,471
(1,252) Increase/(Decrease) in Debtors	20,565
186 Increase/(Decrease) in Stock	116
(22,663) Pension Liability	(30,710)
(878) Carrying amount of non-current assets sold or de-recognised	(377)
(3,663) Other non-cash items charged to net surplus/deficit on the provision of services	(5,267)
(40,347)	(34,088)

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

2018/19	2019/20
£'000	£'000
(5) Purchase of short-term and long-term investments	0
704 Proceeds from sale of property, plant, equipment, investment property and intangible assets	548
699	548

NOTE 24c – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2018/19	2019/20
£'000	£'000
(325) Interest received	(549)
5,286 Interest paid	5,212

NOTE 25 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2018/19		2019/20
£'000		£'000
19,717	Purchase of property, plant and equipment, investment property and intangible assets	25,100
80,000	Purchase of short-term and long-term investments	45,555
3,571	Other payments for investing activities	4,689
(694)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(494)
(94,990)	Proceeds from short-term and long-term investments	(52,555)
7,604	Net cash flows from investing activities	22,295

NOTE 26a – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2018/19		2019/20
£'000		£'000
142	Cash payments for the reduction of the outstanding liability relating to a finance lease	151
9,981	Repayments of short-term and long-term borrowing	(16,764)
10,123	Net cash flows from financing activities	(16,613)

NOTE 26b – CASH FLOW STATEMENT – RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 April 2019	Financing cash flows	Non-cash changes	31 March 2020
	£'000	£'000	£'000	£'000
Long-term borrowings	(105,924)	1,578	0	(104,346)
Short-term borrowings	(2,770)	(18,342)	0	(21,112)
On balance sheet PFI liabilities	(1,851)	151	0	(1,700)
Total liabilities from financing activities	(110,545)	(16,613)	0	(127,158)

NOTE 27 – EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2018/19		2019/20
£'000	<u>Expenditure / Income</u>	£'000
	Expenditure	
176,143	Employee benefits expenses	183,719
180,378	Other Services expenses	192,323
944	Support Services recharges	3,287
20,152	Depreciation, amortisation, impairment	24,797
12,459	Interest Payments	13,677
22,578	Precepts and Levies	24,083
174	Loss on the disposal of assets	0
412,828	Total Expenditure	441,886
	Income	
(60,048)	Fees, charges and other service income	(56,102)
(307)	Interest and investment income	(546)
(124,681)	Income from council tax and non-domestic rates	(129,866)
(223,119)	Government grants and contributions	(235,792)
0	(Gain) on the disposal of assets	(171)
(408,155)	Total Income	(422,477)
4,673	(Surplus) / Deficit on the Provision of Services	19,409

NOTE 28 – AGENCY SERVICES

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

- Houses into Homes – closing balance £240k (£380k in 2018/19)
- Houses into Homes 2 – closing balance £450k (£415k in 2018/19)
- Home Improvement Loans – closing balance £315k (£315k in 2018/19)
- Supporting Town Centre Regeneration in Caernarfon – closing balance £94k (£153k in 2018/19)
- Caernarfon and Bangor Town Centre Scheme – closing balance £765k (£745k in 2018/19)
- Bangor and Bethesda Town Centre Scheme – closing balance £482k (£475k in 2018/19).

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 Councils' Partnership region that extends to 1,100 kilometres. The income transactions recovered during 2019/20 were £74.4m (£55.5m in 2018/19).

NOTE 29 – MEMBERS’ ALLOWANCES

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

2018/19		2019/20
£'000		£'000
1,281	Allowances	1,309
67	Expenses	50
1,348		1,359

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.

2018-19				Chief Officers	2019-20		
Salary	Employer's Pension Contributions	Other Employer Costs	Total		Salary	Employer's Pension Contributions	Total
£	£	£	£		£	£	£
112,168	25,126		137,294	Chief Executive ¹	114,466	25,640	140,106
94,013	21,059		115,072	Corporate Director	95,939	21,490	117,429
94,013	21,059		115,072	Corporate Director ²	53,444	10,685	64,129
81,369	18,227		99,596	Head of Education	85,277	19,102	104,379
79,800	17,875		97,675	Head of Finance	81,434	18,241	99,675
42,414	9,501		51,915	Head of highways and Municipal ³	75,171	16,804	91,975
33,577	7,521	98,477	139,575	Head of highways and Municipal ⁴			
74,563	16,702		91,265	Head of Adults, Health and Wellbeing	75,775	16,974	92,749
74,254	16,633		90,887	Head of Economy and Community	75,775	16,974	92,749
74,254	13,985		88,239	Head of Children and Family Support	75,775	15,880	91,655
72,398	16,217		88,615	Head of Environment	75,775	16,974	92,749
72,398	16,217		88,615	Head of Corporate Support	75,775	16,974	92,749
				Head of Housing and Property ⁵	39,783	8,911	48,694
62,725	14,050		76,775	Head of Gwynedd Consultancy	64,010	14,338	78,348

"Other Employee Costs" - in accordance with the requirements the related costs to the Council are included.

1. The figure does not include any remuneration for the Chief Executive in his role as Returning Office. The amount paid in 2019/20 was £2,050, which is based on rates defined by the respective election bodies.
2. Holder in post until September 2019.
3. Holder permanently confirmed in post since August 2019 (was on temporary basis before this).
4. Holder in post until August 2018
5. New department – Holder in post since September 2019.

30b. The Accounts and Audit (Wales) (Amendment) Regulations 2018 require the Council 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 2019/20 is 6.24:1 (6.37:1 in 2018/19).

NOTE 30 – OFFICERS' REMUNERATION (continued)

30c. Other Authority employees receiving more than £60,000 remuneration for the year (excluding employer's pension and national insurance contributions) were paid the following amounts but which include termination benefits paid in two cases in 2019/20 and two cases in 2018/19. 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 2018-19				Number in 2019-20		
Schools	Other	Total		Schools	Other	Total
11	2	13	£60,000 - 64,999	11	5	16
2	0	2	£65,000 - 69,999	10	0	10
6	0	6	£70,000 - 74,999	5	0	5
3	1	4	£75,000 - 79,999	4	0	4
0	0	0	£80,000 - 84,999	0	0	0
1	0	1	£85,000 - 89,999	0	0	0
0	0	0	£90,000 - 94,999	0	0	0
1	0	1	£95,000 - 99,999	0	0	0
0	0	0	£100,000 - 104,999	1	0	1

NOTE 31 – EXTERNAL AUDIT COSTS

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

2018/19		2019/20
£'000		£'000
182	Fees payable to auditors appointed by the Auditor General for Wales with regard to external audit services	183
100	Fees payable to auditors appointed by the Auditor General for Wales in respect of statutory inspections	99
38	Fees payable to auditors appointed by the Auditor General for Wales for the certification of grant claims and returns for the year	47
320		329
(1)	Less: Fees payable to auditors appointed by the Auditor General for Wales in respect of Joint Committees and Harbour Accounts	(3)
319	Gwynedd Council Net Fees	326

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

NOTE 32 – GRANT INCOME

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

	Note	2018/19 £'000	2019/20 £'000
Credited to Taxation and Non-specific Grant Income			
Revenue Support Grant (Non-ring-fenced Government Grants)	13	134,936	136,049
Government Revenue Grants and Contributions - Other		176	1,543
Government Capital Grants and Contributions -			
21st Century Schools		2,288	7,122
General Capital Grant		4,855	3,887
Highways Refurbishment Capital Grant		1,325	1,325
Assets from Welsh Government – HwB IT Equipment for Schools		0	1,357
Other		4,201	3,479
	13	<u>12,669</u>	<u>17,170</u>
Other Capital Grants and Contributions	13	<u>912</u>	<u>1,083</u>
Total		148,693	155,845
Grants and Contributions Credited to Services			
Welsh Government -			
Supporting People Grant (SPPG)		5,075	5,041
Improvement and Deprivation Grants (Education)		7,305	7,302
Sustainable Waste Management Grant		1,142	1,270
Post-16 Grant (Education)		3,180	3,422
Other		15,799	21,856
		<u>32,501</u>	<u>38,891</u>
Other Government Grants and Contributions -			
Department for Work and Pensions		29,800	27,451
Other		13,213	16,231
		<u>43,013</u>	<u>43,682</u>
Other Grants and Contributions		<u>4,040</u>	<u>4,273</u>
Total		79,554	86,846

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 2019 £'000	31 March 2020 £'000
Grants Received in Advance		
<u>Long-term</u>		
Revenue Grants and Contributions	0	0
Capital Grants and Contributions		
Highways and Municipal Capital Contributions	1,227	1,081
Regulatory (Planning, Transport and Public Protection) Grants	335	370
	1,562	1,451
Total Long-term	1,562	1,451
<u>Short-term</u>		
Revenue Grants and Contributions		
Economy and Community Grants	309	181
Adults, Health and Wellbeing Grants	702	782
Other Grants	76	48
	1,087	1,011
Capital Grants and Contributions	531	432
Total Short-term	1,618	1,443
Total	3,180	2,894

NOTE 33 – RELATED PARTIES

The Council 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.

Welsh and Central Government

Welsh Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, it provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council 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 2019/20 is shown in Note 29.

The Council 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 2019/20 and balances at 31 March 2020 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£'000	£'000	£'000
14,124	923	(4,684)

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 2019/20 and balances at 31 March 2020 is as follows:

Payments made	Amounts owed by the Council	Amounts owed to the Council
£'000	£'000	£'000
3,112	185	(317)

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 2019/20 and balances at 31 March 2020 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£'000	£'000	£'000
2,145	86	(145)

Other Public Bodies

The Council is the administering authority for the Pension Fund. Details of transactions with the Pension Fund are shown in Note 38.

The authority has a pooled budget arrangement with all local authorities in North Wales and Betsi Cadwaladr University Health Board, hosted by Denbighshire County Council for the function of care home accommodation for older people. The relevant transactions and balances are detailed in Note 43 of the accounts.

NOTE 33 – RELATED PARTIES (continued)

Welsh Joint Education Committee (WJEC)

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£'000	£'000	£'000
698	0	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 2019/20 for services to schools and balances at 31 March 2020 are as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£'000	£'000	£'000
947	0	(14)

Subsidiary

Byw'n lach Ltd was established on 27 June 2018 to provide a leisure service for the residents of Gwynedd. The company is limited by guarantee, with Gwynedd Council being the sole proprietor. Management responsibilities were transferred to the Leisure Company on 1st April 2019 with a service contract in place which sets out the actual services and outcomes that the company is required to deliver for their fee. The Board of Directors is made up of 7 elected members of Gwynedd Council. Copies of the audited financial statements for the financial year 2019/20 can be obtained from Byw'n lach website. The payments to Byw'n lach Ltd for Leisure Services during 2019/20 and the balances at 31 March 2020 are as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£'000	£'000	£'000
923	170	(250)

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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

31 March		31 March
2019		2020
£'000		£'000
453,611	Non-current Assets	463,892
(84,835)	Revaluation Reserve	(87,144)
(191,010)	Capital Adjustment Account	(199,941)
177,766	Capital Financing Requirement	176,807

NOTE 34 – CAPITAL EXPENDITURE AND CAPITAL FINANCING (continued)

The movement in the year is explained as follows:

2018/19 £'000	2019/20 £'000
177,001 Capital Financing Requirement 1 April	177,766
7,531 Land and Buildings	7,417
5,850 Infrastructure	7,166
5,189 Vehicles, Plant and Equipment	6,622
16 Community Assets	4
40 Surplus Assets	24
1,201 Assets under construction	4,940
3,540 Funded from capital under statute	4,880
(161) Capital Receipts used	(423)
(10,684) Government Grants and other contributions	(21,585)
(4,191) Capital expenditure charged to revenue	(2,585)
(5,505) Revenue provision for the financing of supported capital investment	(5,465)
Additional voluntary sums set aside:	
(2,061) Capital receipts set aside / Revenue provision for the financing of unsupported capital investment	(1,954)
177,766 Capital Financing Requirement 31 March	176,807

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 GwyriAD Service Concession Arrangements (Note 41) at the following net amount:

31 March 2019 £'000	31 March 2020 £'000
3,489 Property, Plant and Equipment	3,240
3,489	3,240

The Council 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 Council and finance costs that will be payable by the Council 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 2019 £'000		31 March 2020 £'000
	Finance Lease Liabilities	
	(net present value of minimum lease payments):	
151	current	160
1,700	non-current	1,540
1,851	Minimum lease payments	1,700

The remaining asset shown above has been funded by a deferred credit (refer to Note 41).

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
	No later than one year	151	160	151
Later than one year and not later than five years	703	746	703	746
More than five years	997	794	997	794
	1,851	1,700	1,851	1,700

In 2019/20, minimum lease payments were made by the authority of £150,973 (2018/19 - £142,205) in respect of those assets held as a finance lease.

Operating Leases

	31 March 2019 £'000	31 March 2020 £'000
No later than one year	435	507
Later than one year and not later than five years	540	404
Later than five years	287	249
	1,262	1,160

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

	2018/19 £'000	2019/20 £'000
Minimum lease payments	591	564
	591	564

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 Outdoor 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 Council leases out property under operating leases for the following purposes:

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

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

	31 March	31 March
	2019	2020
	£'000	£'000
No later than one year	392	419
Later than one year and not later than five years	1,074	909
Later than five years	4,102	3,419
	5,568	4,747

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 2019/20 £1,517,857 minimum lease payments were receivable by the Council (£956,540 in 2018/19).

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 2020 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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £'000	2019/20 £'000
£								
0 - 20,000	84	43	5	36	89	79	214	521
20,001 - 40,000	6	2	2	13	8	15	229	442
40,001 - 60,000	2	0	1	1	3	1	150	40
60,001 - 80,000	0	1	0	1	0	2	0	129
80,001 - 100,000	0	1	4	3	4	4	359	386
Adjustment to previous year's estimate							(1)	19
Total	92	47	12	54	104	101	951	1,537

NOTE 37 – PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

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

In 2019/20 the Council paid £8.54m (£6.75m in 2018/19) in respect of teachers' pension costs, which represented 19.99% (16.10% in 2018/19) 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 2019/20 these amounted to £1.41m (£1.26m in 2018/19) representing 3.29% (3.01% in 2018/19) 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 benefit 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. In the past the investment managers of the fund have been appointed by the Gwynedd Pension Fund Committee. As the investments are transferred to the Wales Pension Partnership (WPP) the managers will be appointed by the partnership.

The principal risks to the 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 2019			Period ended 31 March 2020		
	Assets	Liabilities	Net (liability) /asset	Assets	Liabilities	Net (liability) /asset
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Plan Assets	682,876	0	682,876	741,995	0	741,995
Present Value of Funded Liabilities	0	(882,416)	(882,416)	0	(1,012,703)	(1,012,703)
Present Value of Unfunded Liabilities	0	(27,441)	(27,441)	0	(27,806)	(27,806)
Opening Position at 1 April	682,876	(909,857)	(226,981)	741,995	(1,040,509)	(298,514)
Service Cost						
Current Service Cost*	0	(36,511)	(36,511)	0	(44,814)	(44,814)
Past Service Costs (including curtailments)	0	(141)	(141)	0	(2,497)	(2,497)
Total Service Cost	0	(36,652)	(36,652)	0	(47,311)	(47,311)
Net interest						
Interest Income on Plan Assets	18,464	0	18,464	17,940	0	17,940
Interest Cost on Defined Benefit Obligation	0	(24,827)	(24,827)	0	(25,381)	(25,381)
Total Net Interest	18,464	(24,827)	(6,363)	17,940	(25,381)	(7,441)
Total Defined Benefit Cost Recognised in Profit/(Loss)	18,464	(61,479)	(43,015)	17,940	(72,692)	(54,752)
Cash flows						
Participants' contributions	5,701	(5,701)	0	6,092	(6,092)	0
Employer contributions	17,158	0	17,158	21,363	0	21,363
Estimated contributions in respect of unfunded benefits	1,703	0	1,703	1,722	0	1,722
Estimated benefits paid	(19,939)	19,939	0	(19,507)	19,507	0
Estimated unfunded benefits paid	(1,703)	1,703	0	(1,722)	1,722	0
Expected Closing Position	704,260	(955,395)	(251,135)	767,883	(1,098,064)	(330,181)
Remeasurements						
Change in demographic assumptions	0	0	0	0	36,166	36,166
Change in financial assumptions	0	(84,177)	(84,177)	0	88,827	88,827
Other experience	0	(937)	(937)	0	43,248	43,248
Return on Assets excluding amounts included in net interest	37,735	0	37,735	(75,579)	0	(75,579)
Total remeasurements recognised in Other Comprehensive Income (OCI)	37,735	(85,114)	(47,379)	(75,579)	168,241	92,662
Fair Value of Plan Assets	741,995	0	741,995	692,304	0	692,304
Present Value of Funded Liabilities	0	(1,012,703)	(1,012,703)	0	(905,466)	(905,466)
Present Value of Unfunded Liabilities**	0	(27,806)	(27,806)	0	(24,357)	(24,357)
Closing Position at 31 March	741,995	(1,040,509)	(298,514)	692,304	(929,823)	(237,519)

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

** This liability comprises approximately £9,287,000 in respect of LGPS unfunded pensions and £15,070,000 in respect of Teachers' unfunded pensions.

NOTE 38 – PENSION COSTS (continued)

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

The actuary has provided a detailed breakdown of Fund assets in accordance with the requirements of IAS19. This analysis distinguishes between the nature and risk of those assets, and to further break them down between those with a quoted price in an active market, and those that are not quoted. The asset split for Gwynedd Council is assumed to be in the same proportion to the Fund's asset allocation as at 31 December 2019. The split is shown in the table below. The actuary estimates the bid value of the Fund's assets as at 31 March 2020 to be £1,947m based on information provided by the Administering Authority and allowing for index returns where necessary.

Fair Value of Employer Assets

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

Asset Category	At 31 March 2019				At 31 March 2020			
	Quoted	Prices	Total		Quoted	Prices	Total	
	Prices in	not			Prices	not		
	Active	quoted	£'000	%	in	quoted	£'000	%
	Markets	in			Active	in		
		Active			Markets	Active		
	£'000	Markets	£'000		£'000	Markets	£'000	
Equity Securities								
Consumer	18,465	0	18,465	3	0	0	0	0
Manufacturing	22,213	0	22,213	3	0	0	0	0
Energy and Utilities	0	0	0	0	0	0	0	0
Financial Institutions	8,659	0	8,659	1	0	0	0	0
Health and Care	47,442	0	47,442	6	0	0	0	0
Information Technology	12,980	0	12,980	2	0	0	0	0
Other	25,194	0	25,194	3	0	0	0	0
Private Equity								
All	0	40,280	40,280	5	0	43,319	43,319	6
Debt Securities								
Other	0	107,817	107,817	15	0	0	0	0
Real Estate								
UK Property	23,594	44,250	67,844	9	0	67,905	67,905	10
Overseas Property	0	393	393	0	0	80	80	0
Investment Funds and Unit Trusts								
Equities	144,365	212,650	357,015	48	0	462,023	462,023	67
Bonds	0	0	0	0	0	0	0	0
Infrastructure	0	14,607	14,607	2	0	15,719	15,719	2
Other	0	0	0	0	0	99,631	99,631	14
Cash and Cash Equivalents								
All	19,086		19,086	3	3,627	0	3,627	1
Total	321,998	419,997	741,995	100	3,627	688,677	692,304	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 2019. 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 2019	31 March 2020
Financial Assumptions	% p.a.	% p.a.
Pensions Increase Rate	2.5	1.9
Salary Increase Rate*	2.5	2.2
Inflation Rate	2.5	1.9
Discount Rate	2.4	2.3
Long-term expected rate of return on all categories of assets	2.4	2.3
Take-up option to convert annual pension into retirement lump sum		
for pre-April 2008 service	50	50
for post-April 2008 service	75	75
Mortality assumptions	Years	Years
Longevity at 65 for current pensioners		
Men	22.0	21.3
Women	24.2	23.4
Longevity at 65 for future pensioners		
Men	24.0	22.2
Women	26.4	25.1

*For unfunded liabilities as at 31 March 2020, 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 2020 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 3-5%. 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). The figures in the table below have been derived based on the membership profile of the Council as at 31 March 2019, 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.

38 – PENSION COSTS (continued)

Impact on the Defined Benefit Obligation in the Scheme		
Change in assumption	Approximate increase to Defined Benefit Obligation 31 March 2020	Approximate monetary amount 31 March 2020
	%	£'000
0.5% decrease in real discount rate	10	96,831
0.5% increase in the salary increase rate	1	12,393
0.5% increase in the pension increase rate	9	83,421

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 17 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 2019), or at any other time as instructed to do so by the Administering Authority. The contributions payable over the period to 31 March 2021 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 2019 actuarial report dated 31 March 2020.

Information about the Defined Benefit Obligation

	Liability Split 31 March 2020		Weighted Average Duration
	£'000	%	
Active Members	465,827	51.4	28
Deferred Members	150,094	16.6	28
Pensioner Members	289,545	32.0	11
Total	905,466	100.0	22

The above figures are for the funded obligations only and do not include any unfunded pensioner liabilities. The durations are effective at the previous formal valuation as at 31 March 2019.

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 2021 are £19.985m.

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

As the Actuary's report is based on estimates and due to timing issues, an adjustment of £956,982 has been made in 2019/20 (£1,490,826 in 2018/19) to bring the deficit in the Scheme based on the Actuarial figures in line with the liability related to the defined benefit pension schemes in the Balance Sheet. This variance has been treated as

NOTE 38 – PENSION COSTS (continued)

Actuarial Gains and Losses on Pension Assets and Liabilities and therefore has been included in the Liability related to the defined benefit pension schemes in the Balance Sheet.

McCloud and Sargeant Legal Judgements

The Gwynedd Fund's salary growth assumption at the 2016 valuation were equal to the Consumer Price Index (CPI) and therefore, in 2018/19, no allowance was made for the McCloud/Sargeant judgements. But at the 2019 valuation, the salary increase assumption was increased above CPI, therefore Gwynedd Council have now recognised a liability for the McCloud/Sargeant judgements for the first time in their 2019/20 accounts. The approximate impact of this judgement has been included within the past service cost figure that is reported within the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement.

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.

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

- The capping and aftercare requirements for the Authority's landfill sites – the provision contained in the accounts is based on existing and known circumstances, in addition to relevant forecasts. However, the actual final cost may differ from the current estimated future cost.
- This Authority is exposed to a potential insurance liability relating to the insurance arrangements of its predecessor authorities, being Gwynedd County Council, Arfon Borough Council, Dwyfor District Council, and Meirionnydd District Council, and the closure of the Municipal Mutual Insurance (MMI) Fund on 30 September 1992.

MMI made a scheme of arrangement with its creditors, by which, if MMI had insufficient funds to meet future claims, a claw-back clause would be triggered (i.e. Scheme of Arrangements) which could affect claims paid since 1992/93. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered and served notice on the Scheme Administrator and the Company to that effect. The decision is irrevocable. An initial levy of 15% of the payments made since 30 September 1992 was paid during 2013/14, and a further 10% was paid in 2016/17.

However, in accordance with the scheme, a further levy may be raised should the original levy be insufficient to meet MMI's liabilities in the longer term. Gwynedd Council is of the opinion that it would be prudent to hold a fund 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 – 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 2020 was £1,097,086 (£972,101 on 31 March 2019). 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 41 – SERVICE CONCESSION ARRANGEMENTS

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 Council 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 Council's Balance Sheet. The value of the related assets was £3.2m as at 31 March 2020 (£3.5m as at 31 March 2019). The Council 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 Council 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 2019/20	498	151	114	763
Payable in 2020/21	498	160	105	763
Payable within 2 to 5 years	1,991	746	314	3,051
Payable within 6 to 10 years	1,700	794	112	2,606
Total	4,687	1,851	645	7,183

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 Council. If the income is higher than that which is in the contract, there is an arrangement for it to be shared between the contractor and Gwynedd Council.

NOTE 41 – SERVICE CONCESSION ARRANGEMENTS (continued)

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

	2019/20	
	Lease Liability	Deferred Income
	£'000	£'000
Balance outstanding at 1 April 2019	(1,851)	(1,373)
Repayment of principal during the year	151	0
Release of deferred income	0	146
Balance outstanding at 31 March 2020	(1,700)	(1,227)

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 Council 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 Council has the right to re-tender for a contractor to provide the service.

NOTE 42 – POOLED BUDGET

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between North Wales local authorities and the Betsi Cadwaladr University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1 April 2019. Denbighshire County Council is acting as host authority during the initial term of the agreement (2019/20 to 2021/22).

Members contribute funds according to their actual spend on care home accommodation for older people.

The proceedings of Gwynedd Council are included in the Adult, Health and Well-being line of the Comprehensive Income and Expenditure Statement. The income and expenditure for the combined budget arrangements of 2019/20 is as follows:-

Care Homes for the Elderly	
	2019/20
	£'000
Expenditure	
Care Home costs	93,903
Total Expenditure	93,903
Funding	
Denbighshire County Council	(9,041)
Conwy County Borough Council	(13,417)
Flintshire County Council	(8,916)
Wrexham County Borough Council	(11,059)
Gwynedd Council	(7,839)
Isle of Anglesey County Council	(5,075)
Betsi Cadwaladr University Health Board	(38,556)
Total Funding	(93,903)
(Surplus) / Deficit transferred to Reserve	0

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 2019/20, Gwynedd Council participated in four joint committees, collaborating in particular areas between local authorities. Separate accounts are required for joint committees. The four joint committees relating to Gwynedd in 2019/20 are:

- Joint Planning Policy Committee
- GwE
- North Wales Residual Waste Treatment Project (NWRWTP)
- North Wales Economic Ambition Board

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 reflect the related actual net liability, although the subjective analysis position varies subject to the circumstances, and the reporting arrangements of the various joint committees. The figures and the share relating to Gwynedd have been included in the table below:

Joint Committee	Host Authority for Finance	Councils and Organisations 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	214
GwE	Gwynedd Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle Anglesey County Council Wrexham County Borough Council	17.64	721
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	22.91	1
North Wales Economic Ambition Board	Gwynedd Council	Isle of Anglesey County Council Gwynedd Council Conwy County Borough Council Denbighshire County Council Flintshire County Council Wrexham County Borough Council Bangor University Grŵp Llandrillo Menai Wrexham Glyndŵr University Coleg Cambria	12.5	67

The individual joint committees' accounts are available on the website of the councils who are host authorities for finance.

NOTE 44 – EVENTS AFTER THE BALANCE SHEET DATE

The Head of Finance authorised the Statement of Accounts on 3 June 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

THE WELSH CHURCH FUND

2018/19 £'000		2019/20 £'000	£'000
930	Amount of Fund at 1 April		930
	Add - Income during the year		
8	Interest on Investments		18
	Less - Expenditure during the year		
(8)	Grants and expenses	(13)	
0	Transferring Gwynedd's (Under) / Overspend	1	(12)
930	Amount of Fund at 31 March		936
	Represented by the following Assets		
24	Debtors		13
0	Investments		900
1,805	Cash in Hand		26
1,829			939
(891)	Less - Proportion owing to Anglesey and Conwy Councils		0
938			939
(18)	Less - Creditors		(3)
10	Add - Proportion owing from Anglesey and Conwy Councils		0
930	Total		936

NOTES TO THE ACCOUNTS

1. The Scheme for the administration of the Fund states that the income be applied for charitable purposes - educational, recreational and social, at the discretion of the Council.
2. The Charities Act 1993 requires that an independent examination of the statement of accounts of the Welsh Church Fund be carried out annually.
3. The investments are shown in the accounts at cost. The market value of the investments at 31 March 2020 was £761,978.
4. In 2018/19, the assets relating to Anglesey Council and Conwy Council were distributed in accordance to the 1996 agreement. That agreement stated that Anglesey Council was to keep the land and that the total land and cash would be apportioned as follows, Gwynedd 44%, Anglesey 38% and Conwy 18%.

FMG MORGAN TRUST FUND

2018/19 £'000		2019/20 £'000
182	Amount of Fund at 1 April	189
	Add - Income during the year	
13	Interest on assets	12
	Less - Expenditure during the year	
(6)	Grants	(7)
189	Amount of Fund at 31 March	194
	Assets	
145	Investments	145
44	Cash in Hand	49
189		194

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 Lleyn for specified purposes.
2. The investments are shown in the accounts at cost. The market value of the investments at 31 March 2020 was £307,833 (£351,837 at 31 March 2019).
3. The FMG Morgan Fund is outside the provision of the Charities Act 1993. No independent examination or audit is therefore required in respect of this Trust Fund.

Glossary

Actuarial Gains and Losses – For a defined benefit pension scheme, the changes in actuarial surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

Amortisation – The gradual elimination of a liability, such as a loan, with regular payments over a specified period of time. Such payments must be sufficient to cover both principal and interest.

Asset – Items of worth that are measurable in terms of value.

- A current asset will be consumed or will cease to have material value within the next financial year.
- A non-current asset provides benefit to the Council and to the services it provides for a period of more than one year.

Balances (or Reserves) – These represent accumulated funds available to the Council. Some balances (reserve) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities.

Capital Expenditure – Expenditure on the procurement of a non-current asset, which will be used in providing services beyond the current accounting period or expenditure that adds to, and not merely maintains, value of an existing non-current asset.

Capital Financing – Funds obtained to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

Capital Receipt – Income received from the sale of land or other capital assets.

Capital Adjustment Account – A reserve set aside from revenue resources or capital receipts to fund capital expenditure or the repayment of external loans and certain other capital financing transactions.

CIPFA (Chartered Institute of Public Finance and Accounting) – The professional institute for accountants working in the public sector.

Community Assets – These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples are parks and historical buildings.

Creditors – Amounts owed by the Council for work done, goods received or services rendered, for which payments have not been made by the end of that accounting period.

Current Service Cost – The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Debtors – Amount owed to the Council for work done, goods received or service rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

Defined Benefit Scheme – A pension or other retirement benefit scheme other than a defined contribution scheme.

Defined Contribution Scheme – A pension or other retirement benefit scheme into which an employee pays regular fixed contributions as an amount or as a percentage of pay, and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to the employee Service in the current and prior periods.

Depreciated Replacement Cost (DRC) – A method of valuation that provides a proxy for the market value of specialist assets.

Depreciation – A measure of the cost of the economic benefits of the tangible fixed assets consumed during the period.

Fair Value – 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.

Finance Lease – A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

Financial Instruments – Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

General Fund – This is the main revenue fund of the Council and it includes the net cost of all services financed by local taxpayers and Government grants.

Heritage Assets – An asset with Historical, Artistic, Scientific, Technological, Geophysical or Environmental qualities that is held and maintained principally for its contributions to knowledge and culture.

Impairment – A reduction in the carrying value of a fixed asset below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment)

Intangible Asset – An intangible asset is an identifiable non-monetary asset without physical substance. An example includes computer software.

International Financial Reporting Standards (IFRS) – A suite of accounting standards used across the world. They must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

Inventories – Amounts of unused or unconsumed stocks held in expectation of future use. They are categorised as goods or other assets purchased for resale, consumable stores, raw materials and Components, Products and Services in intermediate stages of completion and finished goods.

Investment Property – Property that is held solely to earn rentals or for capital appreciation, or both.

Liability – Amounts due to individuals or organisations which will have to be paid at some time in the future.

Minimum Revenue Provision (MRP) – This is the minimum amount which must be charged to an authority's revenue account each year and set aside as provision for credit liabilities.

Net Book Value – The amounts in which fixed assets are included in the Balance Sheet, i.e their historical cost or current value, less the cumulative amount provided for depreciation.

Operating Lease – A type of lease, usually on computer equipment, office equipment, furniture etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

Precepts – The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council taxpayers on their behalf.

Private Finance Initiative (PFI) – A central government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.

Provision – A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits.

Related Parties – Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

Trust Funds – Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

Agenda Item 8

MEETING	Audit & Governance Committee
DATE	30 July 2020
TITLE	Gwynedd Harbours' Final Accounts for the year ended 31 March 2020
PURPOSE	To submit – <ul style="list-style-type: none">• The Revenue Income and Expenditure Account Report for 2019/20 and• Statements of accounts return, duly certified, but subject to Audit
AUTHOR	Ffion Madog Evans, Senior Finance Manager
CABINET MEMBER	Councillor Ioan Thomas, Cabinet Member for Finance
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. 2019/20 ACCOUNTS

- 2.1 The Revenue Income and Expenditure Account for 2019/20 is submitted herewith as Appendix A in simple “out-turn” format. The Harbours have an underspend of (£10,574), with the income showing a surplus of £12,539 against a target of £175,330. Note that the target has been reduced by £30,000 in 2019/20 because of the permanent decrease in the demand for moorings.

- 2.2 The statements of accounts return for 2019/20 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 Following the certification by the Responsible Financial Officer referred to above, the body on behalf of Gwynedd Harbours were required to approve and publish the Annual Return by 15 June 2020. Although it was published on Gwynedd Council's website on 27 May 2020, due to the COVID-19 outbreak, it was not possible for the body to approve the Annual Return before 15 June 2020.
- 2.4 The accounts and return are currently being audited 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 and Governance Committee on 14 September 2020.
- 2.5 Following Deloitte's audit and any required amendments, the Auditor General's representative will certify the return prior to 15 September 2020.
- 2.6 Appendix A relates to the revenue account only whereas the accounting statements in Appendix B incorporates both revenue and capital. There was no capital expenditure for Gwynedd Harbours for 2019/20.

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 2019/20 – Appendix A
- Annual Return for the Year Ended 31 March 2020, Subject to Audit – Appendix B

Appendix A

Audit Committee

Gwynedd Council Harbours' Report

Income and Expenditure Account 2019-20

	Budget 2019-20 £	Actual Expenditure for 2019-20 £	Variance Over (Under) spend £
Expenditure			
Employees			
Salaries	197,940	193,572	(4,368)
Training	0	179	179
Insurance Liability	2,040	2,116	76
Other Miscellaneous	2,280	4,340	2,060
Buildings			
Maintenance	63,780	18,871	(44,909)
Ground Maintenance	2,130	12,422	10,292
Energy	8,630	9,043	413
NNDR	20,450	19,712	(738)
Water Rates	2,440	4,317	1,877
Crown Lease	2,730	2,600	(130)
Room Rentals	0	100	100
Refuse Collection and Cleaning	4,590	3,655	(935)
Buildings Insurance	370	380	10
Transport			
Vehicle Running Costs (Including Boats)	2,240	524	(1,716)
Travel Expenses	470	137	(333)
Supplies and Services			
Equipment - Including safety	18,510	41,503	22,993
Underwater Inspections	0	532	532
Signiges	0	11,865	11,865
Clothes	2,020	1,802	(218)
Boat Maintenance (finance from fund)	3,160	8,336	5,176
Fees - Specialists	6,760	1,985	(4,775)
Licences	600	225	(375)
Office Supplies & Network costs	3,090	4,579	1,489
Audit Fees	720	700	(20)
Insurance on Handling Cash	0	39	39
Refuse	0	3,381	3,381
Central Support			
Central Reimbursement Costs	39,225	39,225	0
Total Expenditure	384,175	386,140	1,965
Income			
Fees and Rent	(175,330)	(163,494)	11,836
Contributions from Reserves	0	(24,375)	(24,375)
Total Income	(175,330)	(187,869)	(12,539)
Net Expenditure	208,845	198,271	(10,574)

Smaller relevant local government bodies in Wales Annual Return for the Year Ended 31 March 2020

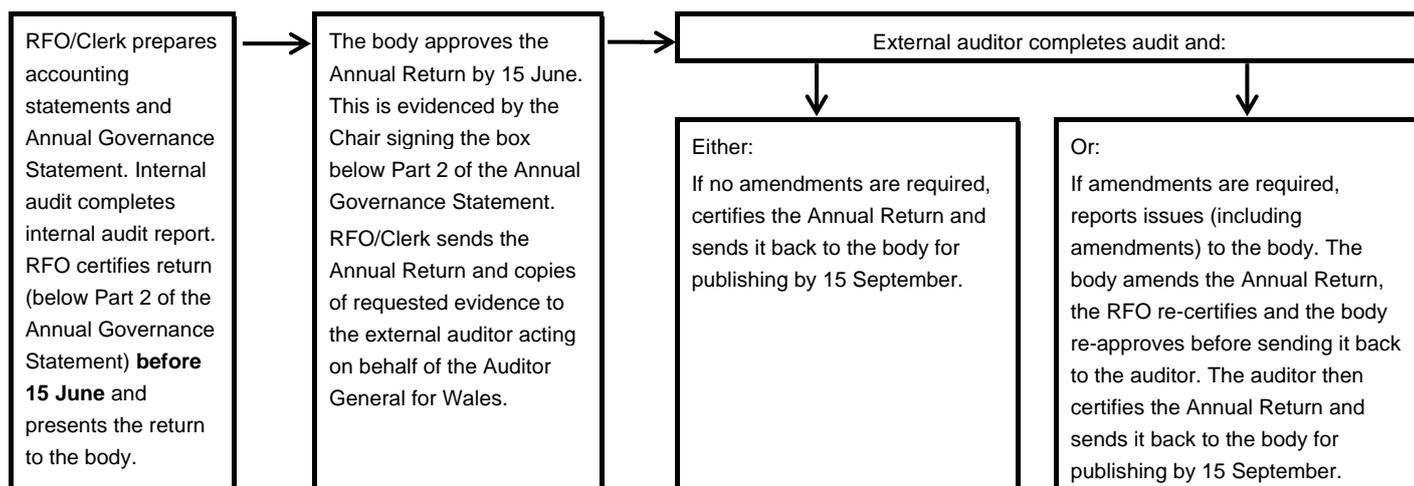
APPENDIX B

THE ACCOUNTS AND AUDIT PROCESS

Section 12 of the Public Audit (Wales) Act 2004 requires local government bodies in Wales to make up their accounts each year to 31 March and to have those accounts audited by the Auditor General for Wales. Regulation 14 of the Accounts and Audit (Wales) Regulations 2014 states that smaller local government bodies i.e. those with annual income and expenditure below £2.5 million must prepare their accounts in accordance with proper practices.

For minor joint committees with income and expenditure below £2.5 million, proper practices are set out in the One Voice Wales/Society of Local Council Clerks publication 'Governance and accountability for local councils in Wales – A Practitioners' Guide' (the Practitioners' Guide). The Practitioners' Guide requires that they prepare their accounts in the form of an annual return. This annual return meets the requirements of the Practitioners' Guide.

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 the Annual Governance Statement.

APPROVING THE ANNUAL RETURN

There are 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.

The committee must approve the annual return BEFORE the accounts and supporting documents are made available for public inspection under section 30 of the Public Audit (Wales) Act 2004.

The Auditor General for Wales' Audit Certificate and report is to be completed by the auditor acting on behalf of the Auditor General. It MUST NOT be completed by the Clerk/RFO, the Chair or the internal auditor.

Audited and certified returns are sent back to the body for publication and display of the accounting statements, Annual Governance Statement and the Auditor General for Wales' certificate and report.

Accounting statements 2019-20 for:

Name of body: **Gwynedd Council Harbours**

	Year ending		Notes and guidance for compilers
	31 March 2019 (£)	31 March 2020 (£)	Please round all figures to nearest £. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the underlying financial records for the relevant year.
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	188,730	198,271	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.
3. (+) Total other receipts	160,409	187,869	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	-161,308	-200,207	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	-187,831	-185,933	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	8,621	22,573	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	-7,579	-17,561	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	-1,042	-5,012	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	496,912	496,912	The 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).

Annual Governance Statement

We acknowledge as the members of the **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 2020, that:

	Agreed?		'YES' means that the 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="checkbox"/>	<input checked="" type="checkbox"/>	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="checkbox"/>	<input checked="" type="checkbox"/>	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 Committee to conduct its business or on its finances.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	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="checkbox"/>	<input checked="" type="checkbox"/>	Has given all persons interested the opportunity to inspect the body's accounts as set out in the notice of audit.	6, 23
<p>5. We have carried out an assessment of the risks facing the 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="checkbox"/>	<input checked="" type="checkbox"/>	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="checkbox"/>	<input checked="" type="checkbox"/>	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 Committee and, where appropriate, have included them on the accounting statements.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	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="checkbox"/>	<input checked="" type="checkbox"/>	Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23

* 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.

Committee approval and certification

The 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.

<p>Certification by the RFO</p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Committee and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2020.</p>	<p>Approval by the Committee</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:</p> <p style="text-align: center;">Insert minute reference and date of meeting</p>
<p>RFO signature:</p> 	<p>Chair of meeting signature: signature required</p>
<p>Name: DAFYDD L EDWARDS</p>	<p>Name: name required</p>
<p>Date: 26/05/2020</p>	<p>Date: dd/mm/yyyy</p>

Committee re-approval and re-certification (only required if the annual return has been amended at audit)

<p>Certification by the RFO</p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2020.</p>	<p>Approval by the Committee</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:</p> <p style="text-align: center;">Insert minute reference and date of meeting</p>
<p>RFO signature: signature required</p>	<p>Chair of meeting signature: signature required</p>
<p>Name: name required</p>	<p>Name: name required</p>
<p>Date: dd/mm/yyyy</p>	<p>Date: dd/mm/yyyy</p>

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 2020 of:

--

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**

The **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 2020.

The internal audit has been carried out in accordance with the **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 **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="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	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="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	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="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	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="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	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="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Insert text
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	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="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Insert text
8. Asset and investment registers were complete, accurate, and properly maintained.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	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="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	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="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Insert text

For any risk areas identified by the 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**	
11. Insert risk area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Insert text
12. Insert risk area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Insert text
13. Insert risk area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	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 Committee are included in my detailed report to the Committee dated May 2020.]

Internal audit confirmation

I/we confirm that as the Committee's internal auditor, I/we have not been involved in a management or administrative role within the body (including preparation of the accounts) or as a member of the body during the financial years 2018-19 and 2019-20. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit: Luned Fôn Jones, Audit Manager, Cyngor Gwynedd

Signature of person who carried out the internal audit: *Luned Fôn Jones*

Date: 13/05/2020

Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. Proper practices are set out in the Practitioners' Guide.
2. 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. Ask your auditor for an electronic copy of the form if required.
3. 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.
4. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2019) equals the balance brought forward in the current year (line 1 of 2020). Explain any differences between the 2019 figures on this annual return and the amounts recorded in last year's annual return.
5. 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.
6. 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 Committee 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 reconciliations is available in the Practitioners' Guide.
7. **Every committee must send to the external auditor, information to support the assertions made in the Annual Governance Statement even if you have not done so before.** 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.
8. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
9. 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.
10. **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.
11. **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.**

Completion checklist – 'No' answers mean that you may not have met requirements		Done?	
Initial submission to the external auditor		Yes	No
Accounts	Do the papers to be sent to the external auditor include an explanation of significant variations from last year to this year?		
	Does the bank reconciliation as at 31 March 2020 agree to Line 9?		
Approval	Has the RFO certified the accounting statements and Annual Governance Statement (Regulation 15 (1)) no later than 15 June 2020?		
	Has the body approved the accounting statements before 15 June 2020 and has Section 3 been signed and dated by the person presiding at the meeting at which approval was given?		
All sections	Have all pink boxes in the accounting statements and Annual Governance Statement been completed and explanations provided where needed?		
	Has all the information requested by the external auditor been sent with this Annual Return? Please refer to your notice of audit and any additional schedules provided by your external auditor.		

If accounts are amended after receipt of the Auditor General's report on matters arising		Yes	No
Accounts	Have the amended accounting statements been approved and Section 3 re-signed and re-dated as evidence of the Committee's approval of the amendments before re-submission to the auditor?		

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	30 JULY 2020
TITLE:	TREASURY MANAGEMENT 2019/20
PURPOSE:	CIPFA's Code of Practice requires that a report on the results of the Council's actual treasury management is produced.
RECOMMENDATION:	RECEIVE THE REPORT FOR INFORMATION
AUTHOR:	DELYTH JONES-THOMAS, INVESTMENT MANAGER

Executive Summary

During the 2019/20 financial year the Council's borrowing remained within the limits originally set and total interest received on deposits was £546,000 which was above the budgeted level of £406,000. There were no defaults by institutions in which the Council had deposited money, and all prudential indicators were met.

1. Introduction

The Council's Treasury Management Strategy for 2019/20 was approved at Full Council on 7th March 2019.

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy.

This report compares the actual performance against the strategy for the financial year 2019/20 and fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Welsh Government's Investment Guidance.

2. Year End Position

Balance Sheet Summary

At 31 March 2020 the Council had net borrowing of £100m arising from its revenue and capital activities. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The movements are summarised in the following table:

	31.3.19 Actual £m	2019/20 Movement £m	31.3.20 Actual £m
CFR	178	(1)	177
Less: Other debt liabilities	(2)	0	(2)
Borrowing CFR	176	(1)	175
Less: Usable reserves	(73)	(5)	(78)
Less: Working capital	(29)	32	3
Net borrowing	74	26	100

The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

Treasury Management Summary

	31.3.19 Balance £m	Movement £m	31.3.20 Balance £m	31.3.20 Rate %
Long- term borrowing	(105,924)	1,578	(104,346)	5.6
Short-term borrowing	(2,236)	(18,342)	(20,578)	1.6
PFI	(1,851)	151	(1,700)	n/a
Total borrowing	(110,011)	(16,613)	(126,624)	
Long-term investments	17	0	17	4.0
Short-term investments	19,567	(8,308)	11,259	1.4
Cash and cash equivalents	14,686	214	14,900	0.8
Total investments	34,270	(8,094)	26,176	
Net borrowing	75,741	24,707	100,448	

3. Borrowing Activity

At 31st March 2020, the Council held £124.9m of loans, an increase of £16.7m on the previous year.

The debt interest paid in 2019/20 was £5.9 million on an average debt portfolio of £106.1 million at an average interest rate of 5.6%.

The year-end borrowing position and the year-on-year change is summarised in the following table:

	31.3.19 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	31.3.20 Rate %	31.3.20 WAM* years
PWLB	90.2	(2.0)	88.2	5.84	19.7
Bank (Fixed term)	16.2	0.0	16.2	4.22	58.4
Local Authorities (Short term)	0.0	19.0	19.0	1.58	0.2
Other	1.7	(0.3)	1.5	0.00	3.4
Total borrowing	108.2	16.7	124.9		

*Weighted average maturity

The Council's main objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with a secondary objective of flexibility to renegotiate loans should the Council's long-term plans change.

Further to these objectives, no new long-term borrowing was undertaken in 2019/20, with existing loans maturing without replacement. This strategy enabled the Council to reduce net borrowing costs (despite foregoing investment income) and reduce overall treasury risk.

The short-term loans taken this year was to ensure sufficient cash was available during the period from January to April 2020 rather than taking on long-term borrowing.

4. Treasury Investment Activity

The Council has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2019/20 the Council's investment balances have ranged between £23.2 million and £71.2 million.

The Welsh Government's Investment Guidance gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Treasury Investment Position

	31.3.19 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	31.3.20 Rate %	31.3.20 WAM* days
Banks & building societies (unsecured)	15.2	(6.5)	8.7	0.57	122.3
Money Market Funds	9.4	(0.3)	9.1	0.42	10.5
Property Funds	9.6	(1.3)	8.3	3.99	365+
Total investments	34.2	(8.1)	26.1		

*Weighted average maturity

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

£8.3m of the Council's investments are held in externally managed strategic pooled equity and property funds where short term liquidity are lesser considerations, and the objectives instead are regular revenue income and long- term price stability. These funds generated an income return of 3.99%, but an unrealised capital loss of £1.3m in this financial year.

In a relatively short period since the onset of COVID-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown- induced paralysis and the uncharted challenges for governments, businesses and individuals.

As the Council is invested in equity and property funds, the falls in the capital values of the underlying assets were reflected in the 31st March fund valuations with ever fund registering negative capital returns over 12 months to March. These unrealised capital losses will not have an impact on the General Fund as the as the Council has elected to present changes in the funds' fair values in the other comprehensive income (FVOCI).

Investment Benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	WAM* (days)	Income Rate of Return
31.03.2019	4.96	A+	92%	41	2.13%
31.03.2020	4.99	A+	100%	31	1.97%
Similar LAs	3.77	AA-	29%	27	0.65%
All LAs	3.94	AA-	56%	20	1.23%

*Weighted average maturity

The average cash balances were £48.9m during the year. The UK Bank Rate had been 0.75% since August 2018, but in light of Covid 19 implications the rate was cut to 0.25%, and subsequently 0.10% in March 2020. Short-term money market rates have remained at relatively low levels. New deposits were made at an average rate of 0.57%. Investments in Money Market Funds generated an average rate of 0.42%.

The Council's budgeted investment income for the year was £0.406m. The Council's investment income outturn for the year was £0.546m.

5. Compliance Report

The Head of Finance is pleased to report that all treasury management activities undertaken during 2019/20 complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in the following tables:

Debt Limits

	2019/20 Maximum	31.3.20 Actual	2019/20 Operational Boundary	2019/20 Authorised Limit	Complied
Borrowing	£127m	£127m	£180m	£190m	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Investment Limits

	2019/20 Maximum	31.3.20 Actual	2019/20 Limit	Complied
Any single organisation, except the UK Government	£8m each	£3m	£3.865m	✓
Any group of organisations under the same ownership	£8m per group	£3m	£3.865m	✓
Any group of pooled funds under the same management	£20m per group	£5m	£5m	✓
Negotiable instruments held in a broker's nominee account	£40m per broker	£0m	£0m	✓
Foreign countries	£8m per country	£0m	£2m	✓
Registered providers and registered social landlords	£20m in total	£0m	£0m	✓
Unsecured investments with Building Societies	£8m in total	£0m	£2m	✓
Loans to unrated companies	£8m in total	£0m	£0m	✓
Money Market Funds	£40m in total	£9.135m	£30m	✓
Real Estate Investment Trusts	£20m in total	£0m	£0m	✓

6. Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators:

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the time-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment and taking the arithmetic average, weighted by the length of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.3.20 Actual	2019/20 Target	Complied
Portfolio average credit score	4.99	a score of 6 or lower	✓

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	31.3.20 Actual	2019/20 Target	Complied
Total cash available within 3 months	£14.9m	£10m	✓

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed was:

	31.3.20 Actual	2019/20 Limit	Complied
Upper limit on one year revenue impact of a 1% rise in fixed interest rates	£0	£761,000	✓
Upper limit on variable interest rate exposure	£0	£0	✓

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	31.3.20 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	16.47%	25%	0%	✓
12 months and within 24 months	1.25%	25%	0%	✓
24 months and within 5 years	7.54%	50%	0%	✓
5 years and within 10 years	8.64%	75%	0%	✓
10 years and above	66.10%	100%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2019/20	2020/21	2021/22
Actual principal invested beyond year end	£10m	£0	£0
Limit on principal invested beyond year end	£20m	£20m	£20m
Complied	✓	✓	✓

2020 Audit Plan – Gwynedd Council

Audit year: 2019-20

Date issued: April 2020

Document reference: 1837A2020-21

This document is a draft version pending further discussions with the audited and inspected body. Information may not yet have been fully verified and should not be widely distributed.

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

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

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2020 Audit Plan

Our duties

- 1 We complete work each year to meet the following duties.

Audit of financial statements

- 2 Each year we audit Gwynedd Council's (the Council) financial statements to make sure that public money is being properly accounted for.

Value for money

- 3 The Council has to put in place arrangements to get value for money for the resources it uses, and we have to be satisfied that it has done this.

Continuous improvement

- 4 The Council also has to put in place arrangements to make continuous improvements and we also check if it has done this.

Sustainable development principle

- 5 Public bodies need to make sure that when making decisions they consider the impact they could have on people living in Wales now and in the future. We have to assess the extent to which they are doing this.

Impact of COVID-19

- 6 The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on local authorities' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.
- 7 Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many local authorities will not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of WAO staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 8 In response to the government advice and subsequent restrictions, we have ceased on all on site work at audited bodies and our own offices. WAO staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.

- 9 Consequently, this audit plan does not include any details in relation to completion of our audit work. We will discuss a timetable with the authority once the current national emergency situation is over and the authority is in a position to prepare its accounts.
- 10 We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on more important matters.

Audit of financial statements

- 11 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness':
- we plan to give an opinion on the Council's financial statements.
 - assess whether the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they were are consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- 12 In addition to our responsibilities for auditing the Council's financial statements, we also have responsibility for:
- certifying a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts;
 - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
 - auditing the Council's pension fund accounts (a separate audit plan has been prepared for the audit of the pension fund);
 - the audit of the Council's joint committees;
 - the certification of a number of grant claims and returns as agreed with the funding bodies.
- 13 There have been no limitations imposed on me in planning the scope of this audit.
- 14 Further information about our work is provided in our Statement of Responsibilities, which is available on our website (www.audit.wales).

Financial Statement Audit Risks

- 15 The following table sets out the significant risks I have identified for the audit of the Council.

Exhibit 1: financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
Significant risks	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • perform design and implementation testing of controls over journal entries; • sample test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review material accounting estimates for biases; and • evaluate the rationale for any material transactions outside the normal course of business.
<p>Impact of COVID-19 The COVID-19 national emergency will see a significant delay in the preparation and publication of accounts. There is a risk that the quality of the accounts and supporting working papers e.g. around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>
<p>Completeness of accrued expenditure Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure, specifically</p>	<p>My audit team will: perform design and implementation testing of controls over the completeness of year-end accruals; and perform focused testing in relation to the completeness of year-end accruals through testing of post-</p>

Audit risk	Proposed audit response
<p>in relation to understatement of year end accruals.</p> <p>Given the pressures across the whole of the public sector, there is an inherent risk that the year-end position could be manipulated by omitting or misstating expenditure and year-end accruals.</p>	<p>year end invoices received and payments made.</p>
<p>GwE Grant Income and Expenditure</p> <p>The committee receives significant grant funding, most of which is distributed to local authorities and schools. There is a risk that the financial statements inappropriately include or exclude this grant funding as the committee will need to make an assessment of whether it is acting as an agent or principal body.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • seek to understand the committee’s recognition policy for grant income and expenditure, which will include a review of whether the committee is acting as agent or principal; • perform design and implementation testing of controls over the assessment of the committee acting as agent or principal; and • perform tests of detail to confirm whether recognition criteria have been met.

Audit risk	Proposed audit response
Other areas of audit attention	
<p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges’ and firefighters’ schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the Local Government pension scheme.</p>

Audit risk	Proposed audit response
<p>Government announced that they accept that the judgment applies to all the main public service pension schemes.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	
<p>Introduction of IFRS 16 Leases has been deferred until 2021-22. There is considerable work required to identify leases and the COVID-19 national emergency may pose implementation risks.</p>	<p>My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>

Performance audit

16 In addition to our Audit of Financial Statements we also carry out a programme of performance audit work to discharge the Auditor General's duties set out on **page 4** in relation to value for money, continuous improvement and sustainable development. For 2020-21 this work is set out below.

Exhibit 2: Performance Audit Programme 2020-21

This table summarises the performance audit programme for 2020-21.

Performance audit programme	Brief description
<p>Improvement audit and assessment work including improvement planning and reporting audit</p>	<p>Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.</p>
<p>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examination</p>	<p>A project common to all local councils that will focus on the theme of 'prevention'.</p>

Performance audit programme	Brief description
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.
Regional review of residential and nursing care commissioning across BCUHB and the six North Wales councils	A regional review of residential and nursing care commissioning.
The “way we work”	A review of the “way in which the Council works” looking at corporate governance and the mechanisms the Council has to provide it with assurance that the Council is delivering value for money services.

Certification of grant claims and returns

- 17 I have been requested to undertake certification work on the Council’s grant claims and returns. A total of nine claims and returns were audited in 2018-19, although based on our current understanding, we anticipate auditing fewer claims and returns in 2019-20.

Fee, audit team and timetable

- 18 My fees and planned timescales for completion of the audit are based on the following assumptions:

- the financial statements are provided in accordance with timescale to be agreed following the end of the COVID-19 national emergency, to the quality expected and have been subject to a robust quality assurance review;
- information provided to support the financial statements is in accordance with the agreed audit deliverables document;
- appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
- all appropriate officials will be available during the audit;
- you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me;
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements; and
- set out the extent to which you intend to rely on Internal Audit's work and where reliance is to be placed on the work of other auditors, specialists, etc.

19 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

20 Your estimated fee for 2020 is set out in **Exhibit 4**.

Exhibit 4: audit fee

This table sets out the proposed audit fee for 2020, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	180,450	180,450
Performance audit work ³	99,310	99,449
Grant certification work ⁴	30,000-35,000	47,290
Audit of GwE accounts ²	11,000	11,000
Audit of Joint Committees	2,700	2,700
Total fee	328,460	340,889

¹ Notes: The fees shown in this document are exclusive of VAT, which is not charged to you

² Payable November 2019 to October 2020.

³ Payable April 2020 to March 2021

⁴ Payable as work is undertaken. Payable as work is undertaken. The reduction in the proposed fee range reflects auditing fewer claims and returns in 2019-20.

- 21 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.
- 22 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

- 23 The main members of my team, together with their contact details, are summarised in **Exhibit 5**.

Exhibit 5: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director	02920 320651	derwyn.owen@audit.wales
Ian Howse	Engagement Lead – Financial Audit	02920 264319	ihowse@deloitte.co.uk
Lauren Parsons	Audit Manager (Financial Audit)	02920 26 4109	laurparsons@deloitte.co.uk
Jeremy Evans	Audit Manager (Performance Audit)	07825 052861	jeremy.evans@audit.wales
Alan Hughes	Audit Lead (Performance Audit)	02920 829 349	alan.hughes@audit.wales

Timetable

- 24 We will continue to undertake such remote work as is possible during the COVID-19 national emergency. However, as set out above, we will not be in a position to agree a timetable with you until the COVID-19 national emergency has passed.

- 25 Therefore, we will report on a timetable for our audit work in due course.
- 26 I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Staff secondment

- 27 In order to safeguard against any potential threats to auditor independence and objectivity, the following restrictions apply in line with the FRC's Revised Ethical Standard 2019:
- the secondee will not undertake any line management or management responsibilities; and
 - the secondment will be for a maximum of six months.



Audit Wales
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ

Tel / Ffôn: 029 2032 0500

Fax / Ffacs: 029 2032 0600

Textphone / Ffôn testun: 029 2032 0660

info@audit.wales / post@archwilio.cymru

www.audit.wales / www.archwilio.cymru

Dilwyn Williams
Chief Executive
Gwynedd Council

Reference: HR20-05

Date issued: 5 June 2020

Dear Dilwyn

Performance Audit work programme

I hope this finds you in good health personally and that you are keeping yourself and family safe and well.

The challenges at hand are extraordinary, and I appreciate that the load you are carrying is significant at this time. Firstly, I would like to thank you and your staff, both for the incredible work that you are doing, and for the professional and sympathetic way that the limited engagement we have had over the last couple of months has been handled.

When the Auditor General wrote to you on 30 April, he set out our intention to re-shape previously planned programmes of work and to focus on the impact of the current crisis in terms of the resilience and the future shape of public services in Wales. I'm now writing to put more flesh on those bones.

In terms of the series of financial sustainability assessments conducted in the last audit year, all are now issued with the vast majority finalised. For the sake of completeness, we intend to finalise those few remaining in terms of factual accuracy, but I appreciate they are very much rooted in a point in time that is now consigned to history. Consequently, we have decided not to publish an all Wales summary position as this would no longer be relevant and would prove a distraction to current challenges. Instead, we intend to examine the financial impact of the pandemic on council budgets and their financial prospects, initially during the summer. This will follow the Welsh Government's supplementary budget in May and be at a point in time when first quarter outturn is known. This will enable us to produce an all-Wales view of the outlook for local government finance in Wales that also explores consequences and priorities for action. Our staff are in active discussions with the WLGA and the Society of Welsh Treasurers on this.

I'm sure that we are all collectively concerned that we focus on the future. With this in mind, we intend to deploy staff to support and challenge recovery planning in real-time. Collectively we need assurance that recovery takes due account of the multitude of risks, but also that it grasps the opportunities for a different and

sustainable future. We have taken the decision to replace the 'prevention' themed work that we set out in audit plans with this work on recovery planning.

We appreciate things are fast moving, which is why we are keen to identify, share and learn quickly across public services through the COVID-19 learning project that Adrian described in his letter. This is not traditional work for a public audit institution, but we believe we can add considerable value and we very much see it as complementary to our work on the 'big-ticket' areas, such as financial impact and recovery planning, that I've described.

Lastly, I know that there will be local risk-based audit projects either planned or in progress. I appreciate that, given the significance and magnitude of the areas of focus set out above, there may be little space in our audit programme to accommodate them. Our local audit team will discuss any potential areas of work that there may be benefit in retaining.

Thank you for your willingness to engage constructively. Our local audit team will be in touch to discuss the programme of work further, and please feel free to raise any issues or concerns with them.

Best wishes and thanks to all at Gwynedd Council.

Yours sincerely



Huw Rees
Director, Performance Audit

Cc Derwyn Owen , Engagement Director



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Financial Sustainability Assessment – **Gwynedd Council**

Audit year: 2019-20

Date issued: March 2020

Document reference: 1734A2020-21

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info.officer@audit.wales.

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

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

The team who delivered the work comprised Alan Hughes and Jeremy Evans under the direction of Huw Rees and Richard Harries.

Contents

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Council tax collection rates have reduced slightly over the last two years and council tax as a proportion of the Council's income has increased over the last decade 12

The Council has no borrowing associated with its commercial activity and overall borrowing remains low 13

Summary report

Summary

What we reviewed and why

- 1 The project sought to assess the sustainability of councils' short to medium-term financial position.
- 2 This included a focus on the financial strategy of each council as well as reviewing financial 'indicators' of each council's financial position in relation to:
 - Performance against budget
 - Delivery of savings plans
 - Use of reserves
 - Council tax
 - Borrowing

Exhibit 1: about the Council

This exhibit sets out some background information on the Council's net revenue budget, the number of staff it employs and the value of its fixed assets



The Council's net revenue budget for 2019-20 was £248million



The Council employs around 3,900 people



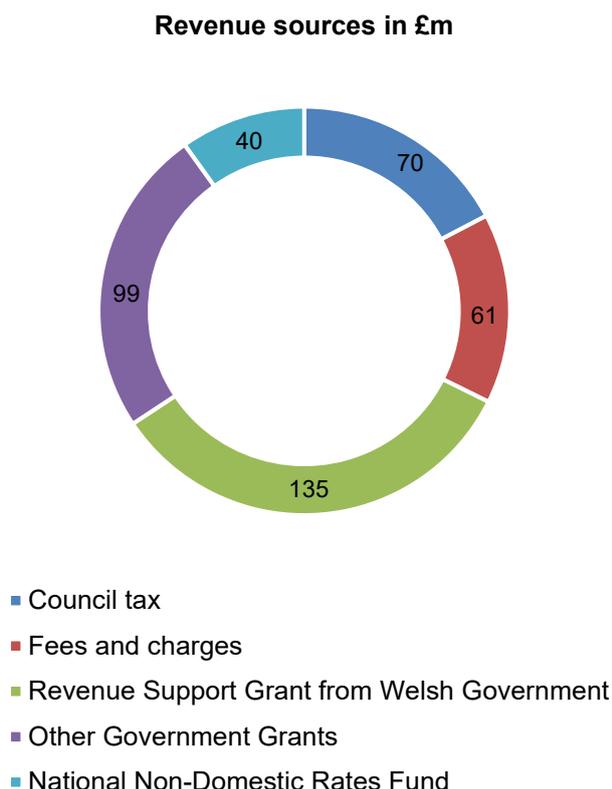
The Council's fixed assets as at 31 March 2019 were £453million

Source: Gwynedd Council Website

- 3 We undertook this assessment because we identified financial sustainability as a risk to councils putting in place proper arrangements to secure value for money in the use of resources. In part, this was informed by the recent experiences of some councils in England, our knowledge of the financial situation in councils in Wales, and the general trend of decreasing resources for local government combined with rising demand for some services.

Exhibit 2: the Council's sources of revenue

The pie chart below shows how much money the Council budgeted to receive from different funding sources during 2018-19



Source: Gwynedd Council's audited statement of accounts 2018-19

4 We undertook the review during the period July 2019 to November 2019.

What we found

5 Overall, we found that: The Council's is currently in a relatively strong financial position and its overarching financial strategy has supported financial resilience well; however, some services have significant annual overspends and not all savings are realised, posing a risk to financial sustainability in the longer-term. We reached this conclusion because:

- the Council's overarching financial strategy has supported its financial resilience well, but it faces challenges in the years ahead;
- the Council manages spending within its overall budget, but in recent years significant overspends in some services have been offset by large underspends in others, in the current year this may lead to an overall overspend;

- the Council has had a good track record of delivering planned savings, but it has been less successful in the current year with some planned savings undelivered;
- the Council has a high level of useable reserves and has not had to use its reserves to fund revenue expenditure in recent years;
- council tax collection rates have reduced slightly over the last two years and council tax as a proportion of the Council's income has increased over the last decade; and
- the Council has no borrowing associated with its commercial activity and overall borrowing remains low.

Detailed report

The Council is currently in a relatively strong financial position and its overarching financial strategy has supported financial resilience well; however, some services have significant annual overspends and not all savings are realised, posing a risk to financial sustainability in the longer-term

The Council's overarching financial strategy has supported its financial resilience well, but it faces challenges in the years ahead

Why strategic financial planning is important

- 6 A clear and robust financial strategy is important to identify the likely level of funding available to a council, as well as the anticipated level of demand for, and cost of, providing services. Given the recent and anticipated funding pressures facing all councils it is also important to identify how it intends to respond to those pressures, and particularly how they will meet projected funding gaps.

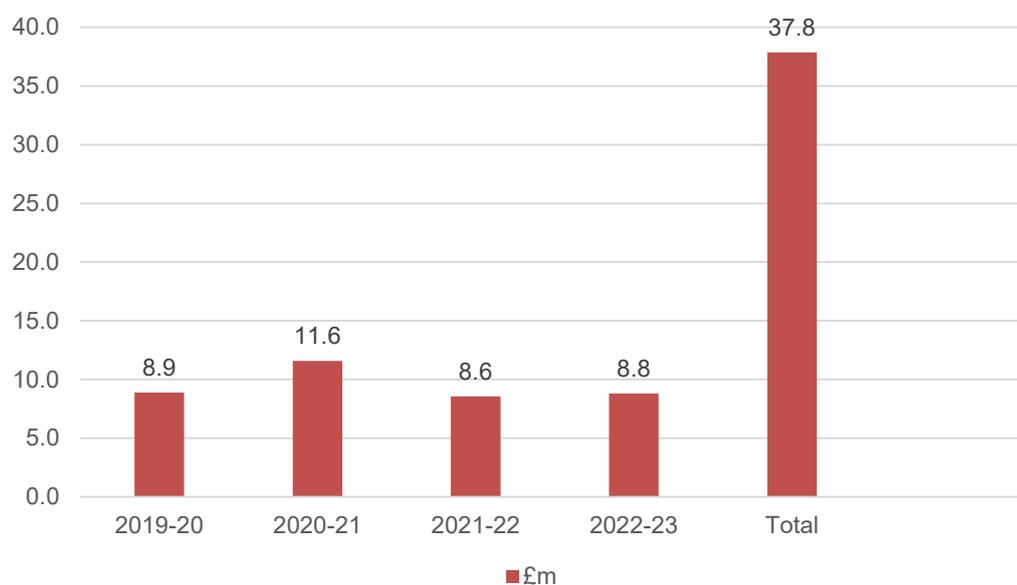
What we found

- 7 We found that the Council's overarching financial strategy has supported its financial resilience well, but it faces challenges in the years ahead. We reached this conclusion because:
 - the Council consulted widely with citizens to help shape its approach to service change. The Council followed the outcome of the consultation in determining which services to prioritise. Options for budget reductions were proposed on this basis. The Council, through its Ffordd Gwynedd initiative, has also assumed efficiency savings through a more streamlined approach, putting the citizen at the centre of everything it does.
 - the Council's Medium-Term Financial Strategy 2019-20 to 2021-22 assumes a funding gap range of £6.5 million to £15.4 million over the three-year period.
 - the Council has a good track record of estimating its likely income accurately, considering all reasonable factors. But it does not appear to have timely (non-financial) information for some of its services (for example adult social care) that would allow it to consider the underlying reason for variations. Improving the accuracy of budgets would help improve the accuracy of the funding gap faced;

- the Council has taken decisions that have reduced funding levels for both discretionary and non-discretionary services in recent years.
- the Council reviews income generation including fees and charges;
- the Council has recognised that increasing fee levels does not always lead to a corresponding increase in income level, as changes affect individuals' behaviours, thus a percentage increase in any given area does not necessarily translate to a similar uplift in the level of income collected.

Exhibit 3: projected funding gap

The following graph shows the funding gap that the Council has identified for this year, and the following three years.



Source: Data supplied by Gwynedd Council in its self-assessment

The Council manages spending within its overall budget, but in recent years significant overspends in some services have been offset by large underspends in others, in the current year this may lead to an overall overspend

Why accurately forecasting expenditure is important

- 8 It is important that overspending and underspending are kept under control and that actual expenditure is as close to the levels planned as possible. A council that is unable to accurately forecast and plan expenditure runs the risk of creating unforeseen financial pressures that may compromise the ability to set a balanced budget. Significant patterns of underspending may be reducing the ability of a council to deliver its key objectives or meet its statutory responsibilities.

What we found

- 9 We found that The Council manages spending within its overall budget, but in recent years significant overspends in some services have been offset by large underspends in others, in the current year this may lead to an overall overspend. We reached this conclusion because:
 - the Council has experienced significant recurring overspends in some services which have been offset by underspends in areas such as Corporate and Central budgets. For 2019-20 the Council has projected overspends of £658,000 in the Adults Health and Well-being Department and £3.2 million in the Children and Families Department. The Council is predicting that these overspends may contribute to an overall overspend of £4.58 million (as at November 2019).
 - the Council is undertaking a detailed base level review in order to understand the reason for overspends and is taking action to try and address the projected overspends before the year-end.

Exhibit 4: amount of overspend/underspend relative to total net revenue budget

The following exhibit shows the amount of overspend or underspend for the council's overall net revenue budget for the last two years and the year to date as at November 2019.

	Original Budget net revenue budget	Actual Outturn net revenue budget	Amount of overall surplus/overspend	Percentage difference from net revenue budget
2017-18	£234.35m	£234.03m	£0.32m surplus	0.14% surplus
2018-19	£243.40m	£243.39m	£0.01m surplus	marginal surplus
2019-20	£247.70m	£252.28m (estimated)	£4.58m overspend (estimated)	1.85% overspend (est)

Source: Gwynedd Council

The Council has had a good track record of delivering planned savings, but it has been less successful in the current year with some planned savings undelivered

Why the ability to identify and deliver savings plans is important

- 10 The ability to identify areas where specific financial savings can be made, and to subsequently make those savings, is a key aspect of ensuring ongoing financial sustainability against a backdrop of increasing financial pressures. Where savings plans are not delivered this can result in overspends that require the use of limited reserves whilst increasing the level of savings required in future years to compensate for this. Where savings plans are not delivered and service areas are required to make unplanned savings, this increases the risk either of savings not being aligned to the Council's priorities, or of 'short-term' solutions that are not sustainable over the medium term.

What we found

- 11 We found that the Council has had a good track record of delivering planned savings, but it has been less successful in the current year with some planned savings undelivered; it is likely to find identifying and delivering savings increasingly challenging going forward. We reached this conclusion because:
- the Council has an established record of delivering savings and is aware that slippage within schemes can impact on the realisation of the planned saving.

- over the period 2015-16 to 2018-19 £25,487,967 (95.7%) savings schemes were delivered out of total planned savings of £26,633,718. However, in 2018-19 just over 80% of the planned 2018-19 savings were delivered in year.
- the Council has identified potential savings from 2020-21 onwards, subject to future funding levels as follows:
 - 2020-21 - £2.7million
 - 2021-22 - £1.9million
 - 2022-23 - £0.8million
 - 2023-24 - £0.02million
- the increase in Revenue Support Grant for 2020-21 government grant will potentially reduce the level of savings the Council needs to make during 2020-21.

Exhibit 5: savings delivered during 2018-19 as a percentage of planned savings

The following exhibit sets how much money the Council intended to save through planned savings during 2018-19 and how much of this it actually saved.

£2.45m	£1.98m	£0.47m	80.7%
Total planned savings	Planned savings delivered	Planned savings not delivered	Percentage savings achieved

Source: Gwynedd Council

The Council has a high level of useable reserves and has not had to use its reserves to fund revenue expenditure in recent years

Why sustainable management of reserves is important

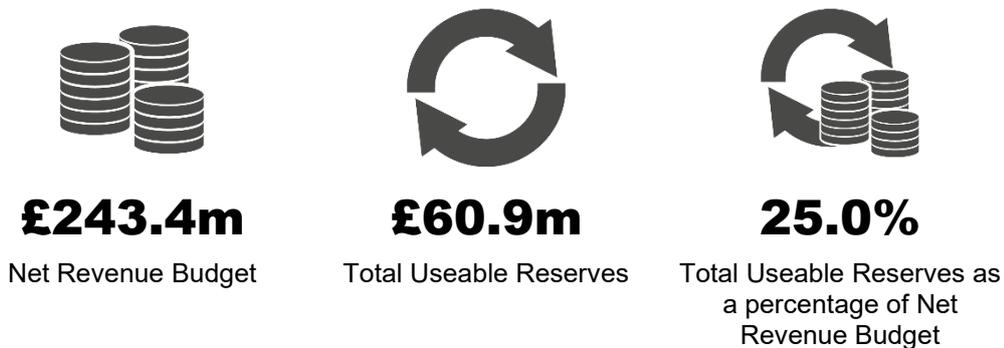
- 12 Healthy levels of useable reserves are an important safety net to support financial sustainability. As well as being available to fund unexpected funding pressures, useable reserves can also be an important funding source to support 'invest to save' initiatives designed to reduce the on-going cost of providing services. Councils that show a pattern of unplanned use of reserves to plug gaps in their revenue budget that result in reductions of reserve balances reduce their resilience to fund unforeseen budget pressures in future years.

What we found

- 13 We found that the Council has a high level of useable reserves and has not had to use its reserves to fund revenue expenditure in recent years. We reached this conclusion because:
- the Council has not used reserves to fund revenue expenditure;
 - the Council used reserves in 2014-15 to supplement its revenue budget and was planning to do so prior to the Welsh Government's provisional local government settlement announcement for 2020-21; and
 - the Council has held usable reserves over the period 2008-09 to 2018-19, ranging from a low of £49.3 million to a high of £67.3 million. The balance of useable reserves at the end of March 2019 was £60.9 million including a General Fund balance of £6 million.

Exhibit 6: Amount of reserves vs annual budget, 2018-19

This exhibit shows the amount of usable reserves the Council had during 2018-19 compared with its net revenue budget for the same year.



Source: Gwynedd Council

Council tax collection rates have reduced slightly over the last two years and council tax as a proportion of the Council's income has increased over the last decade

Why council tax collection rates are important

- 14 Failure to collect the amount of council tax due to the Council will result in less income. This in turn may increase the financial pressures on the Council and require it to make additional savings. Whilst council tax is not the biggest source of funding for councils in Wales, it remains a key income source.

What we found

- 15 We found that Council tax collection rates have reduced slightly over the last two years and council tax as a proportion of the Council's income has increased over the last decade. We reached this conclusion because:
- Council tax income in Gwynedd has increased from 22% of its income in 2010-11 to 30% in 2019-20 (Non-Domestic Rates, Revenue Support Grant and Council Tax). A broadly similar shift in funding from Revenue Support Grant to Council tax is evident in other Welsh Councils; and
 - in year Council tax collection rates have dipped slightly in 2018-19 to 96.6% from a high of 97.35% in 2016-17. The Council goes on to collect the outstanding amounts in subsequent years following its debt collection policy, which the Council states ensures it takes a sympathetic approach to debt recovery.

Exhibit 8: council tax collection rates

This exhibit shows the percentage of council tax due that the Council collected during 2018-19



Cash collected from
Council Tax at 31 March
2019 was **£74.138m**
(96.6%) against a
collectable debit of
£76.712m

Source: Stats Wales
(www.statswales.gov.uk)

The Council has no borrowing associated with its commercial activity and overall borrowing remains low

Why maintaining sustainable levels of borrowing is important

- 16 Borrowing can be a valuable source of funding, for example to fund large scale capital projects such as new schools or leisure centres. However, the cost of repaying borrowing including interest costs can have a long-term impact on ongoing revenue budgets. Councils that fail to properly balance the benefits and costs of borrowing with their current and predicted revenue budgets risk reducing the amount of funding available for service delivery. Borrowing to fund commercial activity has the potential to generate additional income to fund council services,

however, it can also bring significant risks that would be associated with any commercial activity.

What we found

- 17 We found that the Council has no borrowing associated with its commercial activity and overall borrowing remains low. We reached this conclusion because:
- the Council has no borrowing associated with its commercial activity;
 - the cost of all Council borrowing in 2018-19 was £13.4million which is 5.5% of the net revenue budget and its forecast is for this to remain stable.

Exhibit 9: Council borrowing

The exhibit below shows the total amount of money that the Council has borrowed to fund commercial investments, as well as the cost of all the borrowing that the Council has as a proportion of its net revenue budget.



£0m

Amount of borrowing to fund commercial investments



5.5%

Cost of total borrowing as a proportion of net revenue budget 2018-19

Source: Gwynedd Council

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	30 JULY 2020
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 31 MARCH 2020
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE ACTIONS THAT HAVE ALREADY BEEN AGREED WITH THE RELEVANT SERVICES

1. INTRODUCTION

- 1.1 The following report summarises the work of Internal Audit for the period from 3 February 2020 to 31 March 2020.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following work was completed in the period to 31 March 2020:

Description	Number
Reports on Audits from the Operational Plan	10
Other Reports from the Operational Plan (memorandum)	1

Further details regarding this work are found in the body of this report and in the enclosed appendices.

2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 31 January 2020, indicating the relevant assurance level and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Women in Leadership	Corporate	-	High	Appendix 1
Safeguarding Arrangements - Establishments	Corporate	-	Satisfactory	Appendix 2
Information Management - Establishments	Corporate	-	Satisfactory	Appendix 3
GwE – Travelling Expenses	Education	GwE	Limited	Appendix 4
Road Safety Unit	Environment	Transportation and Street Care	Satisfactory	Appendix 5
Bank Reconciliation	Finance	Accountancy	Satisfactory	Appendix 6
Benefits – Review of Key Controls	Finance	Revenue	High	Appendix 7
Use of P6 Forms	Adults, Health and Wellbeing / Children and Family Support	Across the Department	High	Appendix 8
Overtime	Highways and Municipal	Across the Department	Limited	Appendix 9
Bridges – Work Programme	Highways and Municipal	Highways Works	Limited	Appendix 10

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

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

2.2.3 In addition to the above, a memorandum rather than a full report was published on “Culture and Ethics”, and no category for assurance level was given. As part of the work carried out, a bespoke questionnaire was created by the Internal Audit service. A meeting was held with the Head of Corporate Support, the Learning and Organisational Development Manager, and the Senior Organisational Development Officer in order to consult on suitable methods to receive feedback on the council’s culture and to increase the range of staff who would complete the questionnaire.

3. FOLLOW-UP WORK

3.1 New arrangements have been established for follow-up audits. In 2018/19, a total of 88 actions were agreed to be undertaken before 31 March 2020. Following a request made to the Units/Services for information and evidence on progress against agreed actions, as at 31 March 2020, there was acceptable implementation on **100%** of the agreed actions to mitigate high/very high risks, i.e. 11 out of 11, and **72.73%** of the agreed actions to mitigate medium risks, i.e. 56 out of 77.

3.2 Overall, there was acceptable implementation on **76.13%** of the agreed actions, i.e. 67 out of 88 agreed action. Progress had been made in respect of **12.5%** of the agreed actions, i.e. 11 agreed actions, but no response was received in respect of **11.36%**, i.e. 10 agreed actions. The following details the audits where no response was received:

- Information Management – Establishments (1 action)
- Cybersecurity (1 action)
- IT Disaster Recovery Arrangements (4 actions)
- Purchasing Equipment through the School (2 actions)
- Children – Out of County Placements (2 actions)

4. WORK IN PROGRESS

4.1 The following work was in progress as at 31 January 2020:

- The 5 Ways of Working (*Corporate*)
- ARFOR (*Economy and Community*)
- Plas Gwilym (*Adults, Health and Wellbeing*)
- Municipal Vehicles (*Highways and Municipal*)

5. RECOMMENDATION

5.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 3 February 2020 to 31 March 2020, comment on the contents in accordance with members' wishes, and support the actions agreed with the relevant service managers.

WOMEN IN LEADERSHIP CORPORATE

1. Background

- 1.1 A survey was undertaken in 2017 where it was identified that over 70% of the Council's workforce was female but just over 30% of senior posts were held by women. Of all the Council's leadership posts (i.e. leader / senior managers directly responsible to a Head of Department or above) 75% are held by men and only 25% by women, and as a result women are under-represented within the Council. The research also shows that women often do not see themselves as leaders, and are less willing to apply/take on leadership roles. In addition, the research shows that unconscious bias still exists among those men who would be responsible for appointments to those senior posts.
- 1.2 One of the main priorities of the Council Plan 2018-2023 is 'Women in Leadership'. It is intended to review the working conditions and environment to ensure that Gwynedd Council is progressive, encourages 'women in leadership' and identifies and seeks to remove any barriers that may prevent women from reaching leadership and management positions within the Council. A Cabinet report dated 28 January 2020 states that "The aim of this project is to boost the number of women who apply for and attain higher positions within the Council."

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that suitable arrangements were in place to implement and achieve improvement priority 3 in Gwynedd Council's Plan, Women in Leadership. To achieve this, the audit reviewed the actions taken by the Council to promote the number of women applying for senior positions within the Council.

3. Audit Level of Assurance

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

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

4. Main Findings

- 4.1 A 'Women in Leadership' Project Group has been established and at present the composition of the group consists of a cross section of men and women in managerial positions together with two Cabinet Members. The group will strive to improve their understanding of the common barriers that influence women's career decisions and respond to them. They will do this by:
- a) identify barriers and agree actions to change culture and encourage and inspire women to consider a leadership and management role; and
 - b) raise awareness of unconscious bias among men and introduce arrangements that encourage equal opportunities.

- 4.2 A workshop was held in October 2019, for women already in management or team leadership roles to gather further feedback on what was gathered during the 2017 survey. Guest speakers were invited and an activity was held to hear opinions, good practice and receive suggestions from the attendees. Many comments were made, points such as, balance, flexibility, fear of failure etc. were highlighted. In addition, suggestions were received such as, mentoring, encouraging individuals to take the next steps in their career, making use of role models etc. It was noted that the feedback received following the workshop was very positive, it should be noted that not all individuals who attended the workshop believed that being a woman had a negative impact on their career development.
- 4.3 A workshop for men working in managerial or leadership roles was held in December 2019, in an effort to spread awareness and to receive feedback. Guest speakers were invited and the same activity took place, the need to review the job descriptions of managers so that they do not have masculine tendencies, the need to support women and men who want to take advantage of specific policies (childcare, maternity, paternity) etc. were identified.
- 4.4 Steps have already been taken to receive further feedback. A request has been made by email to the Council's managers asking them to hold discussions at their team meetings about what barriers women face in the context of applying and being appointed as managers or to senior roles within the Council. In addition, a survey in the form of a questionnaire for all Council women is planned for March 2020 to identify the barriers and to hear about their aspirations.
- 4.5 All the information gathered to date has been used to form the action plan and the revised version will be approved by the project Group at their next meeting on 3 March 2020. Work is in the early stages of responding to what has been highlighted so far. There will be ongoing research work in this area, with members of the group attending conferences, researching good practice and having opportunities to attend relevant courses. In the long term it is hoped that the project will change culture within the Council and that women feel able to apply for leadership/management positions.

SAFEGUARDING ARRANGEMENTS - ESTABLISHMENTS CORPORATE

1. Background

- 1.1 One of Gwynedd Council's main priorities is to ensure that robust arrangements and procedures are in place to ensure that residents are protected from abuse, neglect, radicalisation, slavery, domestic violence and exploitation. Every member of staff is responsible to report on concerns or suspicion that individuals are being abused.
- 1.2 A number of posters together with pamphlets and contact cards have been produced to raise staff awareness of issues and safeguarding arrangements. In addition, e-learning modules are available to employees who have access to a computer and self-service for fieldworkers.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that organisations outside the Council's main offices were aware of their responsibility to direct concerns about safeguarding children and adults appropriately.
- 2.2. The audit covered discussions with Managers and observed that a safeguarding poster was displayed in establishments outside the main offices. This included Gwynedd Council's residential homes and harbours, Internal Audit visited as part of the 2019-20 Internal Audit Plan.

3. Audit Level of Assurance

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

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

4. Current Score Risk

- 4.1 The audit's risks are as follows:

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

5. Main Findings

- 5.1 There was a general awareness of safeguarding issues, but there was room for further improvement in raising awareness. As part of the 2019/20 audit plan, a sample of the council's residential homes and harbours was examined. Amongst the audit programme, safeguarding arrangements such as safeguarding policies, training and disclosures from the Disclosure and Barring Service (DBS) were examined in the homes. Below is a summary of the findings.

- 5.2 All the homes in the sample followed the Council's corporate policy, which had already been reviewed in September 2017. One home was also seen to use the North Wales protection of vulnerable adults policy and guidance.
- 5.3 It was seen that a safeguarding poster was displayed in two out of the three residential homes visited. In the case where a poster was not displayed in one of the homes, the manager was seen to have safeguarding contact cards and explained that she gives one to each new member of staff.
- 5.4 It was seen that the staff of the homes receive a different range of safeguarding vulnerable adults training such as Wales basic training on safeguarding awareness, POVA awareness (protection of vulnerable adults) and safeguarding training as part of their induction. Employees should receive safeguarding training through a classroom every three years. Not all staff in the sample had received training in safeguarding vulnerable adults and cases were found where they needed to be renewed. The training of various staff dated back more than the three year period, with some dating back to 2014. In these cases, home managers were aware of the situation and it was seen that names had been put forward to attend the course up to 2020.
- 5.5 E-learning training records were checked including modules such as 'domestic abuse', 'adult protection' and 'child protection and safeguarding'. A sample of 35 staff were selected between the three homes and it was seen that 20 out of 35 staff members had completed the 'domestic abuse' module between the three homes. The residential home managers were aware of the need to complete these modules, but one of them noted the difficulties they've had with the Wi-Fi in the home. It is not necessary for staff to complete the safeguarding modules as they are already receiving face-to-face training, but in terms of the 'domestic abuse' modules it is necessary for each council staff member to complete the module.
- 5.6 A safeguarding poster was displayed at each of the harbours visited. E-learning training records were checked including modules such as 'protection and safeguarding children', 'adult protection' and 'domestic abuse', and it was seen that the three harbourmasters and the Hafan manager had completed the 'protection and safeguarding children' training in 2016. None of the four were seen to have completed 'Adult protection' or 'domestic abuse' e-learning training.
- 5.7 It was observed that a safeguarding children and vulnerable adults questionnaire is now available on the Council's intranet for any staff member who is a computer user. The questionnaire has been produced to provide an overview of the Council's staff awareness of the area, and the results of the questionnaire will assist the safeguarding executive in helping staff to know what to do should they encounter a situation of danger or harm to a child or adult.

6. Actions

The Safeguarding Executive Panel has committed to implementing the following steps to mitigate the risks highlighted.

- **Continue to raise council employees' awareness of corporate safeguarding arrangements and the need to complete training.**

INFORMATION MANAGEMENT CORPORATE

1. Background

- 1.1 The Council makes considerable use of personal information in all its areas of work. As part of its employment with Gwynedd Council, all staff are expected to be familiar with their Data Protection responsibilities and deal with personal information in a manner that complies with the Data Protection Act and General Data Protection Regulation (GDPR).
- 1.2 The GDPR came into force in May 2018, as well as the Data Protection Act 2018 (which replaced the Data Protection Act 1998). This means that organisations will have to comply with the GDPR along with the new Data Protection Act.
- 1.3 The changes mean that there is a need to explain much more clearly to the public and staff how their personal information is being used. Individuals have many more rights and will require definitive proof of consent to use information. It is necessary to report nationally if information goes missing or to the wrong place and it will be necessary to know what personal information you have, where it is stored and how long it will be kept.

2. Purpose and Scope of Audit

- 2.1 The aim of the audit was to ensure that information held by the Council was kept securely and in compliance with the principles of the GDPR and the new Act. The audit covered the observation of information security arrangements when visiting Council establishments that are outside the main buildings. This included residential homes and harbours visited by internal audit as part of the annual internal audit plan 2019-20.

3. Audit Level of Assurance

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

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

4. Current Score Risk

- 4.1 The audit's risks are as follows:

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

5. Main Findings

5.1 Awareness of information management issues and data protection principles was generally seen, but there was room for further improvement in raising awareness. Below is a summary of the findings from the organisations visited during 2019-20.

5.2 Residential Homes

5.2.1 Only one out of the three residential homes interviewed was aware of the information management team. However, all three homes were seen to have a good understanding of the information security rules. All three homes were seen to be keeping to the clear desk policy, aware of the information retention periods and making use of shredders and red sacks.

5.2.2 All three homes had arrangements for checking who is on the other end of the phone, a private area for handling any confidential matters and do not share any confidential information over the phone. Residential Homes' staff were seen to complete confidentiality forms which are part of the application pack, and therefore aware of the need not to discuss issues outside of work.

5.3 Harbours

5.3.1 Two out of four harbour officers were unaware of the Information Management team and the support they offer.

5.3.2 All four harbours had a private area to discuss any confidential matters and officers were well aware of the need to check who is on the other end of the telephone. Harbour officers made use of shredders, and were aware of the retention periods for the information in their care.

5.3.3 CCTV had been installed in the three of the four harbours visited and it was found that signs to inform the public of their use had been placed up on the buildings. The CCTV system did not work in one of the three harbours during the visit. Designated officers manage the CCTV systems, but should the Police have an inquiry, only the Harbourmasters would deal with them. In these cases, a data protection form must be completed.

6. Actions

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

- **Continue to raise awareness amongst Council employees of information management arrangements including the General Data Protection Regulation.**

TRAVELLING COSTS GwE

1. Background

- 1.1 Gwynedd Council, GwE's host Authority, has adopted a new procedure where employees with an IT account can claim travel and subsistence expenses through a self-service system. As part of this procedure, travel details are submitted online and does not require authorisation by a manager in order for the payment to be processed, but they do have the ability to refuse claims if they consider it inappropriate or incorrect. The purpose of the new procedure is to reduce the administrative burden related to the previous paper based procedure that required authorisation by the line manager, certification by the budget holder and then inputted by administrative officers into a system to produce the payment

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that an efficient and effective process is in place for claiming travel expenses through the self-service system, which reduces the administrative burden and maintains the risk of loss by mistake or fraud to appropriate levels. The audit encompassed the frequency of managers' reviews and verifying a sample of submitted travel claims.

3. Audit Level of Assurance

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

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

4. Current Score Risk

- 4.1 The audit's risks are as follows:

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

5. Main Findings

- 5.1 The process of submitting applications through self-service significantly reduces administration workload. The responsibility for reviewing claims remains with the managers, so the risk of costly errors or fraud depends on how thoroughly managers review the claims. In this sense, the procedure has not changed in comparison with paper travel claims, but the new procedure is dependent on management's commitment to login to the self-service system on a monthly basis to carry out the reviews.

- 5.2 The procedure assumes that managers review the applications and reject inappropriate ones. A report was produced showing which managers have, and have not reviewed claims in recent months, and found that most claims from GwE staff are not reviewed, even though the system generates e-mails to managers who have not logged into the self-service system to review travel expenses, and notes the need to *'review your staff travel expenses in the self-service system before the release date'*, noting the relevant release date. In addition, a reminder appears in the Self Service system.
- 5.3 It was discovered that errors can be processed (e.g. a claim for 800 miles was made for a 80 mile journey) and this was brought to GwE's attention for correction. It therefore shows that obvious errors can fall through the net if managers do not carry out reviews.
- 5.4 It was therefore seen that there is a risk of improper travel claims being processed, but it is not significantly higher when compared to the paper travel claims procedure, as both procedures depend on the officer's honesty and the manager's willingness to review and challenge where appropriate.
- 5.5 On the 13 March 2018, Gwynedd Council's Cabinet amended the rules for claiming travel expenses. With effect from 1 July 2018, officers (GwE included) can only claim reimbursement for the miles travelled that exceed the number of miles the officers would normally travel between their home and usual place of work. According to the Travelling And Subsistence Policy; *"If the business journey starts and finishes at the employee's home, then staff should subtract from the claim the total number of miles that are travelled to and from the normal place of work."* The purpose of the change in Policy is to save money, but it was found that GwE's expenditure on expenditure code 2GWR 2710 (general car allowances, less train costs) had increased between 2017/18 and 2018/19. GwE's outturn accounts show a reduction in travel costs that's funded from the core budget, i.e. the core work of improving schools on behalf of the 6 local authorities, from £123,391 in 2017/18 to £122,416 in 2018/19. According to GwE, there has been an increase in the service's travel costs for the wider works, i.e. because of Welsh Government grant requirements specifically during this significant period of education reform in Wales.
- 5.6 Following discussions between GwE and the Corporate Support Department, it was agreed that GwE was to review their staffs' official work location, with effect from 1 July 2018. A number of staff had wished to change their official work location to the nearest offices to their homes. The fact that this may have happened in response to the change in Policy and the effect this has on officers' travel costs cannot be ruled out, rather than for practical reasons for GwE. This is based on the fact that officers' travel claims suggest that there has been no change to their day to day working arrangements, but the changes have obviously impacted on officers' travel costs by reducing the element they have to subtract from their claims, as well as enabling officers to claim for travel beyond their new, official location.
- 5.7 The nature of GwE's work means that there is a very large element of travel involved, including regular visits to different schools, or to the various offices across the North. Officers are now entitled to claim travel expenses for any journey that exceeds the distance between their home and official place of work, which means officers can now claim travel expenses to go to their usual or 'normal' place of work, which is not necessarily their official work location. As GwE has access to a number of offices, it is possible for staff to work in the offices nearer to their homes from time to time through

'hot desking'. Such an arrangement benefits GwE and its officers, but does not require changing their official work location to achieve this.

- 5.8 Among the discussions to change official work locations, it was discovered that GwE had tried to move some staff to 'virtual' locations, as they did not have offices in the locations staff wanted to move to. Nearby hot desking facilities were eventually used as an official place of work as a physical location is required for the system. Again this has the effect of enabling the officer to claim travel expenses (and time, if relevant to the terms of the job) for any journey that exceeds the distance from home to this official place of work.
- 5.9 Whilst reviewing officers' travel claims, it appears that those who have changed their official work location have benefited financially, whether by claiming for the journeys they make to their usual place of work, or by reducing the loss associated with the distance from home to their official work location - or a combination of both.
- 5.10 GwE's Value for Money Policy states that *"VFM is a term used to assess whether, or not, an organisation has obtained the maximum benefit from the services it both acquires and provides, within the resources available to it. Achieving VFM is also often described in terms of the 'three Es' - economy, efficiency and effectiveness:*
- (i) economy - minimising the cost of resources for an activity ('doing things at a low price');*
 - (ii) efficiency - performing tasks with reasonable effort ('doing things the right way');*
 - and*
 - (iii) effectiveness - the extent to which objectives are met ('doing the right things').*
- ...Value for Money must be a routine part of the decision-making process at all levels of staff throughout GwE. This is particularly important in planning or reviewing activities with significant financial implications... The Business Quality Board will need to be satisfied that VFM issues are being adequately addressed and that all major areas of expenditure, including staff costs, are being properly scrutinised."* Due to the financial implications of moving employees' official work location, it is reasonable that a business case is in place to justify the changes and highlight the benefits to GwE of the proposed arrangements. A report to the GwE joint committee was drawn up on the 22 May 2019 with the purpose of presenting and approving staff work locations. However, the report does not mention the fact that work locations have changed, or the financial implications. Following advice from the Monitoring Officer, the report was not presented to the Joint Committee as the change of individual working conditions is an issue for management, also the fact that the changes have already been implemented since 1 July 2018.
- 5.11 GwE's Value for Money Policy states that *"although internal audit has a primary responsibility for assessing the internal control system, the internal auditors are frequently well placed to assess and comment on VFM in the areas reviewed"*. To this end, Internal Audit cannot provide assurance that value for money has been taken into account when changing work locations.

6. Actions

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

- **Remind managers to review travel expenses claims.**

ROAD SAFETY UNIT ENVIRONMENT

1. Background

1.1 Road Safety is a unit within the Environment department. The Unit's Facebook page states: 'Gwynedd Council's Road Safety Unit offers training of all kinds to all ages across Gwynedd. The Unit's ambition is to reduce the number of people killed or seriously injured on Gwynedd's roads. '

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that suitable arrangements were in place and to ensure that the services of the Road Safety Unit were properly carried out. In order to achieve this, the audit encompassed reviewing the arrangements to promote the unit's services, receiving and acting on service requests and inquiries, dealing with road safety complaints and reviewing the service's performance monitoring / presentation of local statistics.

3. Audit Level of Assurance

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

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

4. Current Score Risk

4.1 The audit's risks are as follows:

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

5. Main Findings

5.1 A sample of payments made by the Unit to driving instructors and other relevant companies were checked. The verified payments were processed appropriately and in a timely manner.

5.2 Statistics on school visits were received from the Unit. The statistics showed that 44 of the 44 schools checked had received a visit within the 19/20 educational year. The Road Safety Unit reports on their performance every 3 months. Performance measurement and reporting were found to be adequate.

5.3 Gwynedd Council's Road Safety Unit has its own Facebook page (<https://www.facebook.com/pg/Gwynedd-Genedd-Genedd-Road-Safety-345094455627034/posts/>).

The Gwynedd Road Safety Unit's Facebook page is updated frequently. The Facebook page contained information about the various functions of the Unit. Another website was a top result when 'Gwynedd Road Safety' was entered into a search engine such as Google (<http://www.dffgwyneddmon.net/index.php?cid=373>). Discussions took place with Unit staff and it was explained to the Auditor that the website was no longer updated. As a result, there was a lot of out of date information on the website. Under the 'news' section of the site, the latest piece of news was found to be dated 20/12/2018. Workshops that visitors to the website can 'book on' are listed with dates from 2014. The website should not be available to the public unless updated.

- 5.4 Appendix B of the Council's Social Media policy states: 'Anyone considering a campaign using social media should contact the Communications Unit for guidance in the first instance.' A list was received from the Communications of social media pages approved by the Communications Unit. The Road Safety Unit's Facebook page was listed here and it was seen that the relevant application had been completed appropriately.
- 5.5 School Crossing Officers are part of the Council's Road Safety Unit. The DBS status of a sample of Crossers was checked. It was found that 10 out of 10 of the sample held a valid DBS certificate and awarded within the last 3 years. One person's DBS certificate expired March 2020 and it was seen that initial steps had been taken to obtain a new DBS certificate. They receive in-house training within the Unit. No record of this is kept which increases the risk of Crossers working without receiving the latest training.

6. Actions

The Road Safety Officer, Young Road User Coordinator and the Technical and Support Assistant are committed to implementing the following steps to mitigate the risks highlighted.

- **Prevent the old Gwynedd Road Safety website from being visible to the public with the help of the IT department.**
- **Maintain an ongoing record of crossing officer training.**

BANK RECONCILIATION FINANCE

1. Background

- 1.1 Bank reconciliation is the process of matching the balances in the Council's financial systems with the corresponding information on bank statements. The aim of this process is to find and identify the differences between the two. A bank reconciliation should be completed regularly for all bank accounts, to ensure that the Council's financial records are accurate.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that bank reconciliations were completed in an appropriate and effective manner. The audit reviewed the procedures in place as well as the supporting documentation and records of a sample of recently completed bank reconciliations.

3. Audit Level of Assurance

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

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

4. Current Score Risk

- 4.1 The audit's risks are as follows:

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

5. Main Findings

- 5.1 The Finance Department has adopted a procedure for preparing bank reconciliations, with different officers responsible for different accounts. This arrangement of undertaking the different reconciliations; daily, monthly and quarterly, have been in place for some time and are done by experienced officers. However, when discussing delegation arrangements, it was discovered that there are no official arrangements in place for performing the reconciliations when the usual officers are away from work. For short-term absences such as sickness or holidays, the work will be carried out by the usual officers on their return to work. For long-term absences, it is assumed that colleagues will be able to undertake the reconciliations, but there are no definite arrangements in place which creates the risk of failing to undertake the reconciliations in such circumstances. A note was seen in the Accounts Unit file for August 2019 explaining that the reconciliation was not made due to holidays.

- 5.2 The procedure for maintaining reconciliations has not changed much over the years, and the officers involved are aware of their duties. However, it was discovered that the new Byw'n Iach Cyf. Account had not been reconciled since establishing the company, due to a lack of awareness of the responsibility to conduct reconciliations.
- 5.3 There are a number of guidelines available that explain the various reports used to prepare the Council's bank reconciliations. As there is no official process to delegate work in a period of absence it is important that the guidance is up to date and describes the process step by step so that another officer can carry out the work when necessary. It is the intention of the services within Finance to update their guidelines to this effect. It became apparent during the audit that the Income Officer has extensive tasks in preparing various documents for the reconciliation of the Council's income. It was confirmed that a document was available in the Income Service which described the tasks of the Income Officer, but an expansion of the current document would give confidence that a deputy officer was fully familiar with the requirements in the absence of the usual reconciliator e.g. an example of the bespoke spreadsheets, their names and location, how to prepare the specific reports.
- 5.4 The Accountancy Service and the Income Service make use of iGwynedd and offer access to the relevant documentation to all relevant officers should delegation be required, as well as keeping paper files. However the Income Officer is aware that the spreadsheets need to be modified in terms of correcting/deleting/adding dates, columns and formulas to help a deputy officer should delegation be required in the future.
- 5.5 Most income reconciliation is carried out on a daily basis, which leads to a monthly reconciliation confirming that the daily reconciliations are correct. For the Senior Control Technician, the accounts are reconciled monthly as well as quarterly global reconciliation. To facilitate reconciliation, and to resolve discrepancies, some of the relevant tasks are carried out on a daily basis and others approximately every 10 days. There was evidence that the quarterly global reconciliation was being carried out in a timely manner by the Senior Control Technician and that the work was reviewed and authorized by the Group Accountant. Similarly evidence shows that the reconciliation of the Income Officer has been reviewed by the Income Manager and authorised by the Assistant Head - Finance.
- 5.6 The Accounts Unit and Income Section bank reconciliations for September, December 2019 and January 2020 were reviewed as part of the audit, including observing the Income Officer undertaking a daily reconciliation as well as the January 2020 monthly reconciliation. At the time of the audit, the January 2020 monthly reconciliation had not been reconciled.
- 5.7 It was found from the monthly reconciliation of the Income Service that there are a large number of historical adjustments made by the previous Income Officer and these are carried from one month to the next for reconciliation purposes. It can be seen that the monthly reconciliation process can be complicated, and despite the daily reconciliations that are carried out, discrepancies can occur in the monthly reconciliation, which is a laborious to resolve. The current daily reconciliations does not seem to eliminate the risk of the monthly unreconciling. There does not appear to be a procedure for removing or correcting the cumulative over/under banking, and the root cause for these differences could not be explained, which makes the spreadsheet unclear to lay users who may need to deputise, and means any mistake can skew the monthly reconciliation as a whole.

5.8 The monthly reconciliation showed an example of debit card payments, with the ledger total being £11 and the actual amount paid into the bank being £8. There is no procedure to rectify this and so will be placed under the heading of 'other adjustments', although there is an awareness that this difference of £3 may not be resolved.

6. Actions

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

- **Ensure business continuity arrangements are in place by establishing appropriate delegation arrangements and updating guidelines to enable a nominated deputy to undertake bank reconciliations**
- **Review the daily reconciliation process to mitigate the risk of monthly unreconciliations.**

**BENEFITS SYSTEM – REVIEW FOR KEY CONTROLS
FINANCE**

1. Background

- 1.1 The Auditor General for Wales Code of Audit Practice May 2018 states that the Authority’s auditors in conducting their audit of the Council’s accounts will depend, where possible on the work of Internal audit (and others). The Benefit System is regarded as an ‘important financial system’ and therefore an annual review is carried out on the system’s key controls.
- 1.2 The Benefit Service will process claims for housing benefit and council tax reductions claims when an applicant submits an application to claim housing benefit and/or a council tax reduction together with appropriate evidence, including confirmation that they are short of income and unable to afford the rent and/or the cost of council tax
- 1.3 Since the 12 December 2018, Gwynedd is a full Universal Credit area. Universal Credit replaces six benefits, namely housing benefit, child tax credit, working tax credit, income support, employment and support allowance or jobseeker’s allowance. All applications under the Council Tax Reduction scheme continue to be administered by the benefit service.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that appropriate arrangements were in place for the assessment and processing of benefit claims, that the benefit system accurately calculates the benefit amounts and is paid in a timely manner, by checking a sample of benefit claims for the financial year 2019-20. The audit also confirmed that appropriate reconciliations were carried out, review of the Unit’s performance management arrangements and check that adequate data protection arrangements were in place.

3. Audit Level of Assurance

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

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

4. Main Findings

- 4.1 Strong internal controls were seen to exist within the administration arrangements for the benefits system.
- 4.1.1 A sample of 30 new applications were randomly selected from the ‘hb7243a’ report and it was seen that appropriate evidence had been obtained for each application and that the evidence complied with a risk-based realisation policy. In addition, a sample of 15 extended and backdated applications were checked and found to be in accordance with current regulations.
- 4.1.2 It was observed that reconciliations of benefits was undertaken on a regular basis. The reconciliation spreadsheets for the months of April, August and December 201 were checked and the system was proven to agree with what was paid out.

PURCHASING AND USE OF P6 FORMS
ADULTS, HEALTH AND WELLBEING, CHILDREN AND SUPPORTING FAMILIES

1. Background

1.1 P6 forms are used for any expenditure within the Adults, Health and Wellbeing and the Children and Supporting Families departments either for raising a purchase order, paying invoices or for petty cash expenditure. A request was received to review the procedures for using the P6 forms while considering if the form is essential or whether it causes unnecessary duplication of work.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that appropriate administrative arrangements are in place for the purpose of placing orders and paying invoices whether to purchase goods or services as well as administering petty cash payments. To achieve this, the audit included verifying the suitability of the purchasing procedures within the departments and checking a sample of purchase orders to ensure the arrangements were fit for purpose. The audit also included a review of the petty cash procedures and any proposed alternatives within the departments.

3. Audit Level of Assurance

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

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

4. Main Findings

4.1 The procedure to use P6 forms was introduced before the Local Government restructure in 1996 and is therefore a recognised document in which all the staff within the departments are aware. The P6 form was originally introduced as a result of substantial overspend and to ensure adherence with the Councils' financial rules and consistency and accuracy when purchasing goods/services as well as use of the correct expenditure codes/budgets.

4.1.1 The P6 form acts as an official purchase order form from a purchase order book and contains the same information as well as additional information which is relevant to the departments dependant on the type of order or payment required. In its absence, it's possible that the Adult and Children Finance Team would receive incomplete order requests which exclude essential information.

4.1.2 The P6 form is signed by a manager who has the authority to make purchase orders and/or is responsible for a budget. As a result, the form acts as authorisation for the Adult and Children Finance Team to complete orders and pay invoices. P6 forms are also acceptable in electronic format via e-mail and acts as authorisation if the responsible officer is the sender. If the P6 forms are not adequately completed with the required information, the orders/payments will not be processed by the administrative staff in order to ensure that a sufficient audit trail exists.

- 4.1.3 Correct use of the form when raising orders ensures that orders are completed and are raised centrally and therefore the invoices will be received centrally by the Adult and Children Finance Team. As the P6 form has already been authorised, the Adult and Children Finance Team can pay the invoice with the account code for the correct budget without delay and without the need to chase the individual responsible for the order/budget. This saves time by enabling invoices to be paid promptly while improving the department's performance in terms of invoice payment. This arrangement also avoids the possibility of invoices that require processing being left on desks of workers who might not visit the office frequently or on a regular basis.
- 4.1.4 The P6 procedure is also useful for electronic orders where the order is officially raised centrally. This procedure will be incorporated into the Care Director System (WCCIS) which is used by the Council's Care and Social Services. When this is implemented it will enable the purchasing process to be fully paperless.
- 4.1.5 The Adult and Children Finance Team, as well as the Internal Audit Service's opinion is that the P6 forms are useful. As is true with all processes, the relevant officers should continually review the procedures to ensure there isn't an element of duplication and that the arrangements fulfil the principles of 'Ffordd Gwynedd' by ensuring any unnecessary steps are recognised.

OVERTIME CORPORATE

1. Background

1.1 Following a recent court case, there are concerns a new legislation will be enforced which would result in an increase in overtime expenditure. The legislation would give all workers who receive regular overtime payments the right to receive these payments in their holiday pay as well. The Highways and Municipal department anticipate a requirement to earmark an additional £193,000 to conform with legislation. As a result, a request was received by the Head of Department to review the management of overtime payments specifically within this department.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure suitable arrangements were in place to ensure that overtime payments are appropriate and paid at the correct rates. The audit reviewed specifically at the Highways and Municipal department at the request of the Head of department. To achieve this, the audit included reviewing details of transactions from the ledger and selecting a sample of payments from different services and work locations within the Highways and Municipal department.

3. Audit Level of Assurance

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

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

4. Current Score Risk

4.1 The audit's risks are as follows:

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

5. Main Findings

5.1 Payments for voluntary overtime were seen in all services within the department and any new regulations or legislations would have implications meaning that it is unsustainable to continue paying overtime at the same rates. The department has already identified this and are in the process of identifying opportunities to modify staff structures and operating procedures.

- 5.1.1 There are a number of services where overtime payments are unavoidable, maintenance work on busy roads is carried out at night to minimise the effect on traffic as well as for the workers' safety and well-being. Responding to accidents on highways as well as gritting overnight are duties carried out outside of normal working hours which cannot be planned for and overtime is therefore the most effective way to pay the workforce. Tasks such as road resurfacing need to be completed on the same day, and in many instances, the length of a normal shift is not sufficient. It is more efficient to continue working on overtime rates rather than attempt to set up and continue on the following day, the characteristics of materials like 'tarmac' and the need to avoid waste is also relevant in the decision making.
- 5.1.2 Expenditure on overtime is very high in municipal services such as recycling and refuse collections. Overtime is paid in order to cope with time lost through vehicle breakdowns, failure to complete tasks within a shift and for missed collections. It is impractical to argue with residents over missed collections and overtime is paid to workers to return to collect them. The nature of the 12.33-hour shifts is such that the staff vary the routes they work on and do not necessarily collect recycling/refuse from the same properties. The department hopes that returning to weekly shifts will ensure more consistency concerning collection times for the residents and an improvement in the workers' familiarity of the routes and 'back door' collections.
- 5.1.3 The procedure to return to a normal working day of 7.5/7 hours has already started in Dwyfor since July and in Arfon since November with Meirionnydd to follow in 2020. Additionally, the department have negotiated with the unions in order to discard the 'task and finish' practice. The aim is to reduce the unproductive hours among the workforce, reduce overtime payments for work in addition to a normal shift and reduce the motivation to rush the work, which leads to injury and sickness absences. A direct correlation could be seen between sickness leave and the services where overtime payments were most prevalent namely refuse collection and recycling, Street Cleaning and waste sites. A large proportion of the overtime is in order to cope with lack of staff availability and to ensure service continuity.
- 5.1.4 The Working time Directive (1998) is a law that prevents employers from forcing workers to work beyond an average of 48 hours per week over a period of 17 weeks. Voluntary work such as voluntary overtime is not included in this total and employers are required to keep evidence when an employee signs a declaration to opt out of this regulation. Numerous staff work in numerous roles across different departments. The total hours recorded each week are high and in excess of 48 hours and therefore it should be checked whether there are any workers who need to opt out of the regulation.
- 5.1.5 The overtime rate varies across services and areas. Overtime in some areas was predominantly on a basic rate while other areas pay the majority on a 'time and a half' rate. It appears that work beyond a normal shift is paid at a 'time and a half' rate while a basic rate is paid for additional shifts, which cover staff absences. According to the relevant policies, officers on or above a pay grade of 23 are not entitled to receive overtime payments at a rate of 'time and a half' but a number of examples of this was seen.

Guidelines within the Highways and Municipal department state that planned overtime is to be paid at 'time and a half' while unplanned overtime should be paid at basic rate. This has been the subject of many discussions, but a definitive conclusion has not been reached and no definitive guidance has been provided due to differences in the nature of the work and different circumstances within different departments. The Human Resources service is in the process of reviewing the policy in order to publish a revised version, which is more suitable and appropriate.

- 5.1.6 In addition to changing the working procedures within the recycling and refuse work areas, the department are undergoing a process of restructuring since the appointment of a new head of service with the aim of the Highways, Municipal and Commissioning units operating within a more consistent and similar approach. The department also intend to review the procedural and staff structures of services within the department with the objective of reducing overtime expenditure. Successful trials have already been held in some services such as a waste site in Meirionnydd where the weekend has been incorporated into the normal working week. The department is progressing carefully due to the need to consider the nature of the work in different areas of Gwynedd before deciding on a practical and feasible structure.

6. Actions

The Highways and Municipal department has committed to implementing the following steps to mitigate the risks highlighted.

- **Draw up a current policy on overtime rates and payments.**
- **Monitor the work structure and the new shift patterns within recycling and refuse collection and amend the routes and staff levels as required.**
- **Organise shift patterns that are more appropriate to the nature of the work and consider veering from the traditional working pattern of Monday to Friday.**
- **Work closely with the Health and Safety service to draw up a training programme that prioritises the workers' well-being with the aim of reducing occupational injuries and sickness absences.**
- **Monitor the workers who record over 48 hours a week on a consistent basis and consider whether they need to opt out of the regulations.**

BRIDGES WORK PROGRAMME HIGHWAYS AND MUNICIPAL

1. Background

1.1 Gwynedd Consultancy (YGC) plan and manage the Bridges Work Programme on behalf of the Highways and Municipal Department. The programme encompasses all highway structures including bridges, retaining walls and culverts that are owned by and the responsibility of the Council to maintain. YGC keeps a record of all these structures and operate a continuous inspection programme on the bridges in order to ensure they meet the required standards and requirements.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure suitable arrangements were in place to operate an inspection programme on bridges Gwynedd Council are responsible for and that suitable arrangements were in place to prioritise essential work and select contractors. To achieve this, the audit included a review of the management of the asset register, budget control and methods of commissioning contractors for work.

3. Audit Level of Assurance

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

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

4. Current Score Risk

4.1 The audit's risks are as follows:

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

5. Main Findings

5.1 The range of structures categorised within the Bridges Work Programme is very extensive. The budget considers planned work and maintenance but in reality, unforeseen events result in the budget not being available to spend as planned. As a result, work planned for the short term is deprioritised in order to save resources with possible implications of considerably higher future costs.

5.1.1 YGC utilise the Bridgestation system that enables them to keep a record of all structures and manage the bridges' inspection programme.

The bridges' relevant details and findings from the Inspections undertaken are recorded as well as a consistent scoring method for all bridges. The system is used to record detailed information following visual inspections on the different elements of the bridges. These include recommendations for essential maintenance work as well as estimates for the cost of the work. This highlighted that the budget is insufficient to act on all recommendations and that monitoring for further deterioration is often the course of action for non-emergencies.

- 5.1.2 Some of the recommendations include minor works where a specialist contractor is not required and Highways Road workers could complete the tasks, although this does currently happen, a formalised structure or work programme is not in operation. Instead, the work is randomly assigned among a number of workers providing an element of inconsistency. It would be beneficial to formalise a more structured arrangement with a dedicated work programme and assigned staff.
- 5.1.3 Even though the budget is mainly for expenditure on inspections and maintenance of the highway structures, a large proportion of the budget has to be used for substantial work following damage and emergency works. Court cases because of events can also result in the budget being utilised to pay barristers to represent the Council. There are many examples where the budget has been used for reactive work rather than planned work and essential maintenance work. The budget for the following year has already been earmarked for required substantial work. This increases the period between identifying defects and completing the maintenance work that results in further deterioration and potentially increased costs.
- 5.1.4 YGC utilise a separate system to plan the work programme, monitor, and report on projects' progress. Although there is an intention to plan essential work on an annual basis in line with the available budget, emergency works resulting from unforeseen events must be prioritised. Consequently, a large proportion of the budget contributes toward reactive projects rather than planned improvements and building work. Any planned work projects are subsequently moved forward to the following year.
- 5.1.5 YGC are required to operate according to the Council's procurement rules and the Framework for appointing contractors but the reactive nature of the work features a number of projects which are emergencies and require attention as soon as possible. Complying with the guidelines can be restrictive and can result in significant delays in commencing the work. In order to cope with this there are occasions where YGC have elected to appoint local contractors that are available to commence work at the earliest opportunity to avoid disruption and ensure continuation of the council's other services. This is not ideal and despite the fact that the contractors appointed are part of the framework it does introduce an element of risk to the council, however this is far more practicable and enables the council to act sooner in order to deal with emergencies and reduce non beneficial costs such as traffic management.
- 5.1.6 The Quantity Surveyor team within YGC are in the process of drawing up procurement and tendering guidelines that are more 'fit for purpose' for this field of work. They also intend to adapt their scoring and pricing system in order to ensure more realistic quotes are received from potential contractors and in particular the smaller companies. The current framework expires during the summer and it is hoped that more efficient internal procedures will be in place in time for the new framework.

- 5.1.7 At present, YGC follow an inspection programme for bridges but there are no arrangements to inspect other highway structures such as retaining walls, which are also vital road and Highway structures in Gwynedd. In addition to bridges, it would be worthwhile to consider an inspection programme for these other structures; however, consideration must be given to the resources and budget available.
- 5.1.8 There have been many incidents in recent years where emergency works have been required, with significant budget resources consumed. Further deterioration of many structures is probable in the future, and this could lead to an increase in the number of incidents with implications such as road/structure closures, which would disrupt Gwynedd's services and its residents. It appears there is an element of hesitancy in utilising the budget for minor maintenance work, as there is a worry that incidents causing substantial damage are probable. As a result, there is a backlog of minor work that requires completion but a lack of resources in order to do so.
- 5.1.9 The risk score of this audit is not a reflection of the work arrangements and processes in place to manage the Bridges Work Programme. Rather, it is a reflection of the significant risks arising from the budgetary constraints in order to cope with events and emergencies beyond the control of the department.

6. Actions

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

- **Research and review if it is practicable to start an inspection programme for retaining walls in addition to bridges.**
- **Consider an addition to the Corporate Risk Register by noting that failure to fund maintenance work on bridges could lead to significant deterioration in the condition of the structures and more substantial future costs.**
- **Consider adopting a formal structured work programme that utilises Highways and Municipal staff to undertake maintenance work arising from the bridge inspections.**
- **Draw up and agree on new guidelines for tendering and appointing contractors, which are more 'fit for purpose' and facilitate the process of setting out work.**

Agenda Item 13

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	30 JULY 2020
TITLE	HEAD OF INTERNAL AUDIT ANNUAL REPORT 2019/2020
PURPOSE OF THE REPORT	TO EXPRESS INTERNAL AUDIT'S OPINION ON THE OVERALL CONTROL ENVIRONMENT WITHIN THE AUTHORITY
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT

1. INTERNAL AUDIT'S PURPOSE

1.1 The purpose of the Internal Audit Service is:

To give confidence to the citizen and the Council on the Council's control environment and governance arrangements through independent and objective reporting to the Head of Finance and the Audit and Governance Committee

2. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

2.1 CIPFA'S Local Government Application Note for the Public Sector Internal Audit Standards (2019) states:

"Each local government organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in providing assurance that that these arrangements are in place and operating properly. The annual internal audit opinion required under the PSIAS informs the governance statement and emphasises and reflects the importance of this aspect of internal audit work."

2.2 The purpose of this annual report is to provide the Authority with such an annual internal audit opinion. In giving my opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable advice that there are no major weaknesses in the whole system of internal control.

2.3 In assessing the advice given, I have taken into account all audits relevant to 2019/2020 and any follow-up action taken in respect of audits from this and previous periods.

3. OVERALL ASSURANCE

3.1 On the basis of Internal Audit work completed during 2019/2020, in my opinion Gwynedd Council has a sound framework of control to manage risks. This assists in providing assurance in the arrangements for ensuring effective and efficient achievement of the Council's objectives, as the steps taken by the Council during the accounting period to establish and strengthen internal controls and to ensure that recommendations to remedy weaknesses identified by the Internal Audit service have, overall, been satisfactory.

3.2 Considerations

In giving my opinion on the adequacy of the internal control systems, I have taken into consideration:

- Overall, good internal control was found within each of the Council's individual services.
- All Council departments have built on previous work to continue the development of their risk assessment arrangements.
- Where significant control weaknesses were found, these matters were resolved by the Council's officers, and considered by the Control Improvement Working Group or otherwise by the Audit and Governance Committee.
- No reliance has been placed on any work by external assurance bodies when formulating the opinion in this report.

4. AUDIT WORK

Audit Plan

4.1 A total of 49 assignments were contained in the revised audit plan for 2019/2020. Of these 45 were completed by 31 March 2020, which represents **91.84%** of the plan. For the purposes of this measure, an assignment is counted as being completed when the final report/memorandum has been released or, if there is no report/memorandum, the assignment has been closed and no further time is expected to be spent on it. The performance ambition was 95%.

4.2 The audits from the 2019/2020 plan that have contributed to the opinion contained in this annual report are listed in Appendix 1.

4.3 Where relevant, internal audit reports are provided with an assurance level which is based on an evaluation of the internal control environment and the number of risks identified together with their risk score. The current risk score are categorised in one of four risk categories:

RISK LEVEL	SCORE
VERY HIGH	20 – 25
HIGH	12 – 16
MODERATE	6 - 10
LOW	1 - 5

4.4 The general assurance levels of audits will fall into one of four categories as shown in the table below:

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

4.5 The aim of every agreed actions within the reports was to strengthen internal controls that mitigate operational risks, and to establish best practice.

4.6 Of the 45 assignments in the 2019/2020 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
High	13
Satisfactory	22
Limited	4
No Assurance	0
No Category	6
Total	45

4.7 Of the reports relating to 2019/2020 that were given an assurance level, 77.77% obtained an assurance level of “Satisfactory” or “High”.

4.8 None of the audits received a “No Assurance” level.

4.9 The full reports are presented to the Audit and Governance Committee after the final report has been agreed with the client and issued. Where a memorandum is issued rather than a full report, and where there is no assurance category, the Audit and Governance Committee is presented with a summary of the findings of the relevant audits where appropriate.

4.10 The table below shows which meeting of the Audit and Governance Committee has received the details of audits from the 2019/2020 plan. The dates of the relevant meeting of the Audit and Governance Committee are also shown in Appendix 1.

Date of release of Final Report/Memorandum	Date of Report to the Audit and Governance Committee
1 April 2019 – 4 October 2019	17 October 2019
7 October 2019 – 15 November 2019	28 November 2019
18 November 2019 – 31 January 2020	13 February 2020
3 February 2020 – 31 March 2020	30 July 2020

Revisions to the Plan

- 4.11 Revisions to the audit plan were reported regularly to the Audit and Governance Committee during the year.

Follow-up Work

- 4.12 Out of the 88 agreed actions made in 2018/19, **76.14%** were fully implemented by 31 March 2020, progress was made on 12.5% and no response was received in respect of 11.36% (4 individual audits). The service will re-review these in the current financial year.

Control Improvement Working Group

- 4.13 The Control Improvement Working Group continued its work of strengthening the Council's arrangements for responding to Internal Audit reports. The Working Group consists of the Chair and Vice Chair of the Committee and three other members (chosen by rotation) that meets between the Audit Committee meetings and discusses issues of control weaknesses that have arisen at the Committee meeting, in order to give them attention to greater depth. Officers are being invited to attend to explain the control weakness and, primarily, to explain the steps that have been taken to improve the situation.

5. INTERNAL AUDIT RESOURCES

Staffing and Qualifications

- 5.1 The Audit Manager undertakes the function of "Head of Internal Audit". The Audit Manager is accountable to the Assistant Head - Revenue and Risk, who is accountable to the Head of Finance. The Audit Manager and one Audit Leader have a full CIPFA qualification and the other Audit Leader has the full ACCA qualification. Two Senior Auditors are studying for the CIPFA qualification and two Senior Auditors are studying for the AAT qualification.
- 5.2 Since 1 April 2020, there are 7 full-time members in the Internal Audit Team and one Temporary Senior Auditor to cover maternity leave and the attendance of the Senior Auditors to attend college to gain their professional qualification.

Utilisation of staff resources

5.3 Appendix 2 contains an analysis of the use made of the time of the Internal Audit officers during the period between 1 April 2019 and 31 March 2020. The Committee's attention is drawn to the following:

- The table shows a reduction in the number of productive days available to provide audits for Gwynedd Council from **913** days between 1 April 2018 and 31 March 2019 to **681** days for the same period in 2019/2020, a decrease of **232** days. This was due mainly to maternity leave, assisting the Snowdonia National Park Authority in their end of financial year procedures and providing an audit service to Byw'n Iach Cyf.
- The number of days used to complete special investigations or responsive audits was 18 days, compared to 34 days in 2018/19.
- The number of days that were committed to completing follow-up audits was 31 days in 2019/2020 compared to 50 days in 2018/19.

6. AUDIT PERFORMANCE

6.1 The results of the internal audit service's achievement measures in 2019/2020 were as follows:

Description of Measure	2018/19 Performance	2019/20 Ambition	2019/20 Results
% 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.	96.67%	95%	91.84%
% of internal audits with an assurance level of "Satisfactory" or better (corporate indicator)	88.46%	80%	77.77%
Number of agreed actions implemented within the timetable. (corporate indicator).	94.48%	85%	76.14%
Number of high risk or very high risk agreed actions implemented within the timetable (corporate indicator).	-	100%	100%
Number of low or medium risk agreed actions implemented within the timetable (corporate indicator).	-	85%	72.73%

7. WORK PLANS AND TARGETS 2020/2021

7.1 A draft internal audit plan for 2020/2021 was presented to the Audit and Governance Committee in its meeting on 13 February 2020. However, due to the Covid-19 pandemic, a new internal audit plan has been drafted which will be presented to the Audit and Governance Committee on 30 July 2020.

7.2 Internal Audit achievement measures indicate how well we fulfil our purpose. Internal Audit’s achievement measures for 2020/2021 are:

Measure	Ambition 2020/2021	Direction of Ambition
% 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.	95%	Maintain
% of internal audits with an assurance level of “Satisfactory” or better (corporate indicator)	80%	Maintain
Number of high or very high agreed actions implemented within the timetable (corporate indicator).	100%	Maintain
Number of low or medium risk agreed actions implemented within the timetable (corporate indicator).	85%	

8. INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

8.1 The result of the self-assessment conformance with the Public Sector Internal Audit Standards (PSIAS) were presented to the Audit and Governance Committee on 13 July 2017 along with the Quality Assurance Improvement Programme. The results of the External Assessment were presented to the Audit and Governance Committee on 17 October 2019. Progress against the Programme can be seen in Appendix 3.

9. RECOMMENDATION

- 9.1 The Committee is asked to accept this report as the formal annual report of the Head of Internal Audit pursuant to the Public Sector Internal Audit Standards for the financial year 2019/2020.



Internal Audit Plan 2019/20

Audit Name	Opinion Category	Date Presented to the Audit and Governance Committee
CORPORATE		
Supporting Ffordd Gwynedd Reviews	No Category	
Women in Leadership	High	30 July 2020
Overtime	Limited	30 July 2020
Travelling Expenses - Self-service	Satisfactory	17 October 2019
Safeguarding Arrangements - Establishments	Satisfactory	30 July 2020
Culture and Ethics	No Category	30 July 2020
Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	No Category	
Information Management - Establishments	Satisfactory	30 July 2020
Arrangements for Returning Equipment	Limited	13 February 2020
Communications		
Use and Control of Social Media	Satisfactory	17 October 2019
EDUCATION		
Resources		
Pupill Development Grant	Satisfactory	17 October 2019
Regional Consortia School Improvement Grant	High	17 October 2019
Post-16 provision in Schools Grant	No Category	13 February 2020
GwE		
GwE - Travelling Expenses	Limited	30 July 2020
Schools		
Appointment and Cost of Supply Teachers - Secondary	Satisfactory	13 February 2020
Trust Funds	Satisfactory	13 February 2020
Schools - General	No Category	
Ysgol Pendalar	Satisfactory	13 February 2020
Ysgol Hafod Lon	High	13 February 2020
ENVIRONMENT		
Planning		
Section 106 Agreements	Satisfactory	28 November 2019
Transportation and Street Care		
Road Safety Unit	Satisfactory	30 July 2020
Countyside and Access UNit		
AONB Grant	High	28 November 2019
FINANCE		
Financial		
Payments System - Change in Standing Data	Satisfactory	17 October 2019

Audit Name	Opinion Category	Date Presented to the Audit and Governance Committee
Accountancy		
Harbours Statement of Accounts 2018-19	High	17 October 2019
Joint Planning Policy Committee Statement of Accounts 2018-19	High	17 October 2019
North Wales Economic Ambition Board Statement of Accounts 2018-19	High	17 October 2019
Banc Reconciliation	Satisfactory	30 July 2020
Revenue		
Role of Gwynedd Council in relation to Universal Credit	High	28 November 2019
Benefits – Review of Key Controls	High	30 July 2020
ECONOMY AND COMMUNITY		
Community Regeneration		
Welsh Church Fund	High	13 February 2020
Record offices, museums and the arts		
Lloyd George Museum Accounts	High	28 November 2019
Maritime and country parks		
Harbours - Health and Safety	Satisfactory	13 February 2020
Parc Padarn Safety Measures	Satisfactory	13 February 2020
ADULTS, HEALTH AND WELLBEING		
Across the department		
Use of P6 Forms	High	30 July 2020
Absence Management	No Category	13 February 2020
Supporting People		
Supporting People Grant	High	17 October 2019
Homelessness and Supported Housing		
Syrian Refugees Relocation Plan	Satisfactory	17 October 2019
Bed and Breakfast Costs	Satisfactory	28 November 2019
Residential and Day		
Plas Pengwaith	Satisfactory	28 November 2019
Bryn Blodau	Satisfactory	28 November 2019
Llys Cadfan	Satisfactory	28 November 2019
CHILDREN AND FAMILY SUPPORT		
Children and Families		
Youth Club Accounts	Satisfactory	13 February 2020
Payments to Foster Carers	Satisfactory	13 February 2020
HIGHWAYS AND MUNICIPAL		
Municipal Works		
Repair and Maintenance of Playing Areas	Satisfactory	13 February 2020
Highways Works		
Bridges - Work Programme	Limited	30 July 2020

Summary of the number of reports in each assurance level, 2019/20 Plan:

Assurance Level	Number of Audits
High	13
Satisfactory	22
Limited	4
No Assurance	0
No Category	6
Total	45

Analysis of Internal Audit Use of Time 1 April - 31 March:

2018/19		2019/2020
2,118	Total Days	2,037
240	Unproductive Time: Annual Leave	241
53	Unproductive Time: Statutory Holidays	56
293	Less Holidays (Statutory and Non-Statutory)	297
1,825	Total Available Days	1,741
	Less:	
15	Special Leave	10
109	Illness	117
90	Maternity Leave	232
81	Professional Training	115
80	Job Training	21
1,451	Available Days	1,247
	Less Unproductive Time:	
13	Medical Appointments	13
31	Time Recording and Management	25
98	Meetings and Committees	77
8	Training Presentation	4
2	Conducting interviews	0
46	Background Work	38
24	Admin etc.	13
3	iGwynedd Project	14
4	Audit Committee	5
114	Internal Audit Management	107
2	Absence Management	2
43	IT problems	4
4	Internal Audit Information Management Exercise	4
10	North Wales Collaborative Working	2
3	Meetings with External Audit	7
7	Travel Time	10
0	Keep in Contact Days	10
0	Fire Drills	0
1,038	Total productive days	912
37	Work for SNPA	84
89	Community and Town Councils	98
0	Byw'n Iach Cyf.	49
913	Total productive days, Gwynedd Council	681

Analysis of the use of Gwynedd Council productive days:

2018/19		2019/20
776	Work on current year's plan	564
0	Completion of previous year's work	11
16	Commencement of next year's work	6
37	Advice and Consultancy	49
50	Follow-up work	31
34	Responsive Work / Special Investigations	18
913		681

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	ORIGINAL TIMESCALE	PROGRESS
01	1110 – Organisational Independence	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	Gwynedd Council is in the process of developing a 360-degree appraisal system for managers – the Chair of the Audit and Governance Committee to be invited to provide feedback at the Audit Manager's next appraisal.	Head of Finance and Senior Manager – Revenues and Risk	31/03/2018	The 360-degree appraisal system has not yet been developed, but the Chair of the Audit and Governance Committee attends performance meetings along with the Cabinet Member for Finance.
02	1310 – Requirements of the Quality Assurance and Improvement Programme	Does the QAIP include both internal and external assessments?	An external assessment will be carried out by the CAE of Carmarthenshire County Council in accordance with the WCAG peer review arrangements.	Audit Manager	31/12/2017	The external assessment has been carried out by the Carmarthenshire County Council CAE.
03	1320 – Reporting on the Quality Assurance and Improvement Programme	Has the CAE reported the results of the external assessments to senior management and the board?	The result of the external assessment to be presented to the Audit and Governance Committee.	Audit Manager	08/02/2018	The results of the external assessment was presented to the Audit and Governance on 17 October 2019..

ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	ORIGINAL TIMESCALE	PROGRESS
04	1320 – Reporting on the Quality Assurance and Improvement Programme	Has the results of ongoing monitoring of the quality and assurance programme and progress against the improvement plan been communicated at least annually?	Progress made against the quality assurance improvement programme to be included in the Head of Internal Audit Annual Report.	Audit Manager	10/05/2018	Progress against the quality assurance improvement programme is presented in the Head of Internal Audit Annual Report.
05	1320 – Reporting on the Quality Assurance and Improvement Programme	Do the results include the assessor's or assessment's team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS?	The external assessments evaluation will be reported in the Head of Internal Audit Annual Report.	Audit Manager	10/05/2018	This is incorporated in the Head of Internal Audit Annual Report.
06	1322 – Disclosure of Non-conformance	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	Any instances of non-conformance to be reported to the Audit and Governance Committee and any significant deviations to be included in the annual governance statement.	Audit Manager & Senior Manager – Revenues and Risk	As required	There are no instances of non-conformance or any significant deviations.

ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	ORIGINAL TIMESCALE	PROGRESS
07	2450 – Overall Opinion	Does the annual report incorporate: a) A statement of conformance with the PSIAS? b) The result of the QAIP? c) Progress against any improvement plans resulting from the QAIP?	The Head of Internal Audit Annual Report to incorporate a statement of conformance with the PSIAS and progress against any improvement plan resulting from the QAIP.	Audit Manager	10/05/2018	Head of Internal Audit Annual Report – this is done annually

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	30 JULY 2020
TITLE	DRAFT INTERNAL AUDIT PLAN 2020/21
PURPOSE OF THE REPORT	TO PRESENT THE DRAFT INTERNAL AUDIT PLAN FOR THE YEAR 1 APRIL 2020 – 31 MARCH 2021
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO APPROVE THE PLAN IN THE APPENDIX

1. INTRODUCTION

- 1.1 The revised draft work plan for Internal Audit for the financial year 2020/21 is presented to the Audit and Governance Committee for comment and approval.
- 1.2 In accordance with best practice and the Public Sector Internal Audit Standards, the Internal Audit plan is subject to ongoing review to ensure it remains up to date and reflective of changes in the business. This is even more important given the significant and fast-changing impact of the COVID-19 Pandemic on the Council.
- 1.3 The plan has been updated due to the Covid-19 pandemic and the fact that Internal Audit was not able to undertake its work during the first quarter of the year. Internal Audit officers have been redeployed to assist and support the Council by verifying and processing Welsh Government Grant for Businesses administered by the Revenues Service. The projected expenditure on the Grants is approximately £63M, the second highest council in Wales in respect of expenditure and transactions. This work has been reflected in the revised plan.

2. INTERNAL AUDIT'S PURPOSE

- 2.1 The purpose of the Internal Audit service is:

To give confidence to the citizen and the Council on the Council's control environment and governance arrangements through independent and objective reporting to the Head of Finance and the Audit and Governance Committee

- 2.2 When preparing this revised plan, consideration was given to what the service needs to do in order to achieve this purpose.

- 2.3 The Unit only has limited resources; the staffing resource of the Unit is 7 full-time posts one temporary auditor.
- 2.4 Therefore, in order to ensure that we are reviewing the right things, consideration was first given to the Corporate Risk Register, Gwynedd Council's Strategic Plan along with any other significant developments. This is to ensure that the Council's key controls in order to deal with its main risks are addressed.
- 2.5 The result of this was to prepare an initial draft plan, which has been discussed with each Head of Department (or departmental management team in some cases) before being presented and approved by this Committee held on 13 February 2020.
- 2.6 The revised audit plan will remain flexible in order to reflect any emerging issues or changes to risks and priorities of the Council and to also ensure the health and safety of both Internal Audit and client officers.

3. THE WAY FORWARD

- 3.1 Like the majority of Council services, Internal Audit officers are working from home for the foreseeable future, and hence conducting an audit where a visit to the establishment is necessary will be limited. Internal Audit will continue to carry out its duties whilst respecting any guidance issued by the Welsh Government and conduct its activities within any constraints imposed.
- 3.2 One of the key priorities for quarter 1, as in the two previous financial years, is to provide an Internal Audit service to approximately 70 community, town and city councils. To achieve this and to assist councils to meet their statutory timetable for submitting their accounts by 30 June 2020, documentation was received via e-mail where possible, and meetings held via Zoom or Microsoft Teams in addition to telephone conversations. The Service received positive feedback by the Clerks/Responsible Financial Officers on the smooth transition in the manner of conducting the audits.

3.3 The revised Internal Audit plan 2020/2021 will also give appropriate consideration to the following:

- Will be aware at all times of the potential occurrence of fraud or corruption. We will therefore take advantage of the National Fraud Initiative, and undertake proactive fraud prevention work. Audit Wales has decided to extend the NFI to target the fraud risks associated with Covid-19 grants or payments made by local authorities. Audit officers who have been involved in processing grant payments will not undertake this work to ensure appropriate independence and separation of duties.
- Continue to address specific grants, particularly where the conditions of the grant expect an Internal Audit review.

3.4 The revised plan reflects:

- The redeployment of Internal Audit staff in assisting with Welsh Government Grants (120 days)
- Provision for supporting Departments/Services with their revised business arrangements as a result of the Covid-19 pandemic (30 days)
- Provision to enable Internal Audit to respond to key issues affecting the internal control environment which may have arisen due to changes to processes in light of emergency requirements (30 days)
- A review of the Council's response to the pandemic and any lessons learned (50 days)
- Conducting high level reviews where it is not practical to visit establishments/services

4. RESOURCES AVAILABLE

4.1 It is projected that approximately 711 days of audit resources will be available to complete the 2020/21 audit plan. This is on the basis of analysis of the staffing resources available, including reasonable allowances for "unproductive" work such as holidays, illness, training, management and meetings.

4.2 The 2020/2021 Audit Plan will be a plan with flexibility to enable the Service to support the Council in any emerging issues and to act promptly on any risks posed by those issues.

5. RECOMMENDATION

5.1 The Committee is requested to approve the Revised Audit Plan for the period 1 April 2020 to 31 March 2021.

DRAFT INTERNAL AUDIT PLAN 2020/2021

Audit	Days	Reason
COROPORATE		
Redeployment of Internal Officers to Priority 1 Services	120	Supporting the processing of Welsh Government Grants.
Business Continuity Plans (across the Council) and Lessons learned	40	Review the suitability of service continuity plans and ensuring that lessons learned reports have been submitted and risk logs are maintained up to date.
Supporting Departments/Services with their business arrangements following the Covid-19 pandemic	30	Review the business arrangements adopted during the Covid-19 pandemic.
Respond to key issues affecting the internal control environment that may have arisen due to process changes in light of emergency requirements	30	This will be dependent on developments in the wake of the Covid-19 pandemic
Home Working Arrangements	20	Review the adequacy of support provided to staff during the time of the pandemic, eg policies, management, GDPR guidance etc.
Safeguarding Arrangements	10	Covid-19 has led to the recruitment of temporary staff / volunteers and time may not have allowed for proper DBS checks to be carried out - this is an area of high risk.
Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	50	Work is to be undertaken to ensure that robust arrangements are in place for dealing with the risks of fraud and corruption and the National Fraud Initiative which is run by Wales Audit. These investigations may include any element of fraud committed by exploiting the Covid-19 pandemic.
Creditors – Supply chain risks	20	Risk associated with "force majeure" contracts and clauses will continue to evolve.
Climate Change	20	The audit will focus on the arrangements the establishment has in place to combat climate change.

Audit	Days	Reason
EDUCATION		
<i>Resources</i>		
Pupil Development Grant	10	The PDG has not been incorporated in the Regional Consortia School Improvement Grant; therefore it will be necessary to carry out a separate audit.
Regional Consortia School Improvement Grant	15	The grant is an amalgamation of many grants previously awarded from the Welsh Government.
Post-16 Grant	3	Requirement under the financial terms and conditions.
<i>Schools</i>		
School Funds	30	A review of Gwynedd schools' funds.
Schools – General	5	Annual provision for work involving providing advice and support.
ENVIRONMENT		
<i>Public Protection</i>		
Street and parking Enforcement	12	Enforcement arrangements as a result of visitors to the area.
HOUSING AND PROPERTY		
<i>Housing and Welfare</i>		
Bed and Breakfast Costs	30	The audit has been included at the request of the Head following an increase in costs as identified in an internal audit report published in 2019/20.
Supporting People Grant	12	Requirement under the terms of the grant.
CORPORATE SUPPORT		
<i>Central Support Unit</i>		
Employment Statements	8	It is now a requirement that employment statements include a clause in relation to undertaking statutory training, e.g. protection.

Audit	Days	Reason
FINANCE		
<i>Across the department/corporate</i>		
IT Systems	30	It is intended to undertake audits on specific areas of IT with a focus on home working and remote working policies, cyber security etc.
<i>Payroll</i>		
Payment to Care Workers	15	Ensure that appropriate arrangements are in place for administering the additional payment for care workers.
<i>Accountancy</i>		
Harbours Statement of Accounts 2019-20	4	This is a statutory requirement.
Joint Planning Policy Committee Statement of Accounts 2019-20	4	This is a statutory requirement.
North Wales Economic Ambition Board Statement of Accounts 2019-20	10	This is a statutory requirement.
<i>Pensions</i>		
New Starters	12	A review of the arrangements for establishing new starters.
<i>Revenue</i>		
Council Tax Reduction Scheme	10	A review of a sample of new applications presented during the pandemic.
ECONOMY AND COMMUNITY		
<i>Community Regeneration</i>		
Welsh Church Fund	3	An independent check will be needed if the fund's income is over £25,000.
<i>Record Offices, Museums and the Arts</i>		
Lloyd George Museum	6	The Council has a specific role as a trustee. A check will be carried out to ensure that these duties are being fulfilled.
Storiell	5	Storiell has received a risk score of 20 on the Corporate Risk Register.
<i>Maritime and Country Parks</i>		
Beach Management Plan	8	This is an area of high risk. (risk score 20)

Audit	Days	Reason
Major Projects		
STEM Gogledd	8	A review of specific projects.
Strategy and Development		
North Wales Economic Ambition Board	15	The Board Governance arrangements – a Local Authority Joint Committee with representatives of key partners such as the North Wales and Mersey Dee Business Council, universities and further education colleges.
Business Units	12	Reviewing that the Units have received "rental holidays" from the Council and that the process has resumed.
ADULTS, HEALTH AND WELLBEING		
Residential and Day		
Private Care Home fees	30	A review of the payments made to private care homes with an emphasis on additional (top-up) fees.
CHILDREN AND SUPPORTING FAMILIES		
Children and Families		
Risk Assessment Arrangements and Training Programme	12	This area has been identified in the Corporate Risk Register due to violence at work, lone working and caseloads.
Statutory Assessments (AMHP)	20	This is a requirement in accordance with the Mental Health Measure Wales.
Arrangements for "Fee School Meals"	12	A review to verify that appropriate arrangements are in place to ensure that vulnerable children receive free meals during the pandemic.
HIGHWAYS AND MUNICIPAL		
Across the Department		
Risk Assessments	20	Review the contents and appropriateness of the risk assessments.

Audit	Days	Reason
GWYNEDD CONSULTANCY <i>Across the department</i> Budgeting and Expenditure	10	The review has been included at the request of the YGC Management Team.
Total Days	711	