



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

AUDIT AND GOVERNANCE COMMITTEE

Date and Time

10.00 am, THURSDAY, 15TH OCTOBER, 2020

Location

Virtual Meeting - Zoom

Contact Point

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(DISTRIBUTED 08/10/20)

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. ELECT CHAIR

To elect a Chair for 2020/21.

2. ELECT VICE CHAIR

To elect a Vice Chair for 2020/2021

3. APOLOGIES

To receive apologies for absence.

4. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

5. URGENT ITEMS

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

6. MINUTES

5 - 14

The Chairman shall propose that the minutes of the meeting of this committee, held on 30 July 2020, be signed as a true record.

7. FINAL ACCOUNTS - GWYNEDD COUNCIL

15 - 149

- a) To submit the revised statutory financial statements
- b) (i) To submit the formal "ISA 260" report for Gwynedd Council
- b) (ii) To authorise the Committee Chairman and the Head of Finance to sign the "letter of representation" (the Council)

8. FINAL ACCOUNTS - GWYNEDD PENSION FUND

150 - 177

- a) To submit the revised statutory financial statements
- b) (i) To submit the formal "ISA 260" report for the Pension Fund
- b) (ii) To authorise the Committee Chairman and the Head of Finance to sign the "letter of representation" (Pension Fund)

9. SAVINGS OVERVIEW - PROGRESS REPORT ON REALISING SAVINGS SCHEMES

178 - 193

To consider the report

10. REVENUE BUDGET 2019/20 - END OF AUGUST REVIEW

194 - 220

To consider the report

11. CAPITAL PROGRAMME 2019/20 - END OF AUGUST REVIEW 221 - 230

To consider the report

12. BUDGET STRATEGY - 2021/22 231 - 235

To consider the report

13. AUDIT AND GOVERNANCE WORK PROGRAMME 236 - 238

To consider the report

AUDIT AND GOVERNANCE COMMITTEE 30/07/2020

Present: Councillor John Brynmor Hughes (Chair)
Councillor Angela Russell (Vice-chair) (up to the end of item 12)

Councillors: Aled Evans, Alwyn Gruffydd, Medwyn Hughes, Aled Wyn Jones, Berwyn P Jones, Huw W Jones, Dewi Roberts, John Pughe Roberts, Paul Rowlinson, Angela Russell and Gethin Glyn Williams (item 10 onwards)

Sharon Warnes (Lay Member)

Officers: Dafydd Edwards (Head of Finance Department), Dewi Morgan (Assistant Head - Revenue and Risk), Ffion Madog Evans (Senior Finance Manager), Luned Fôn Jones (Audit Manager), Delyth Jones-Thomas (Investment Manager), Siân Pugh (Group Accountant - Corporate and Projects) and Lowri Haf Evans (Democratic Services Officer)

Others invited:

Councillor Ioan Thomas (Cabinet Member – Finance)
Councillor Edgar Owen (Council Chairman)

Ian Howse (Deloitte)
Alan Hughes (Wales Audit Office)

1. APOLOGIES:

An apology was received by Councillor Sion W. Jones

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 confirmed the minutes of the meeting of this committee, held on 13 February 2020, as a true record.

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

The statement was presented by the Assistant Head - Revenue and Risk who explained that the statement, although not part of the accounts, was a statutory document which needed to be published with the accounts. In accordance with the Accounts and Audit (Wales) Regulations and the CIPFA Code of Practice, all Local Authorities must ensure that a statement of internal management is in place. It was reported that it was the Chief Executive and the Council Leader who were required to sign the document, although the Audit and Governance Committee's approval was needed.

Some background was given to the report, noting that all Local Authorities had a duty to present an annual statement, and that although the format or method had changed, that the content of these documents was very similar. In Gwynedd, it was the Governance Arrangement Assessment Group, led by the Chief Executive, who reviewed the risk register. The group would discuss risks within 22 different governance fields, noting the controls the Council had in place in order to mitigate the risks. This was done in response to the CIPFA framework which identified core principles for good governance.

It was reported that the group had concluded that there was no field of extremely high risk; and that there was one high risk field, 11 medium risk fields, and 10 low risk fields. It was noted that 'Culture' was the high risk field, the reasoning behind this being that an inappropriate culture within the Council could hinder all aspects of governance. Despite this, it was emphasised that the Ffordd Gwynedd Vision showed very good examples with generally significant progress; although this was not consistent across the Council as yet. It was added that the schedule had slipped somewhat due to the Covid-19 pandemic, but that there were examples of Ffordd Gwynedd culture helping matters in some areas during the response to the crisis.

Attention was drawn to the fact that only one risk score had changed over the year, namely Reviewing Outcomes, due to a failure to learn lessons from experience, and continuing to do the same things incorrectly.

During the ensuing discussion, the following observations were made by Members:

- Concern regarding the Council's accountability and a clause in the report which expressed that there was 'no great aspiration amongst the public to hold the Council accountable'. This wording was considered insulting, and it was considered that there was an aspiration amongst the public but that there was a lack of trust due to difficult decisions made in the past. Although it was Members who represented the public, regular members had no powers as they were not involved in discussions, and so it was possible that the public were losing their connection due to this.
- Contact with Members had been poor during lockdown. A lack of communication with the Chairs of 'small' committees
- Lack of input into decisions - had received information regarding decisions but it would have been good to have been aware of what was being discussed beforehand.
- The risk score had not changed from year to year. Why had there been no response to the challenge? Why had there been no improvement?
- Fields for development had been agreed upon - how was the public's 'input' measured and would public opinion be included?
- It was perhaps too soon to judge as there had been considerable pressure to respond to the impact of the pandemic and to make the right decisions.

In response, the Head of Finance Department noted that a large amount of additional work had been undertaken on top of the daily work, in order to prioritise resources and ensure the continuation of services in response to the impact of the pandemic. It was added that all efforts had been made to use all possible resources, and that there had been no intention not to communicate.

RESOLVED to approve the (draft) statement, subject to amending the fourth clause in the 'Accountability' section to delete the referral to the lack of aspiration amongst the public to hold the Council accountable; and to recommend that the Council Leader and the Chief Executive sign the statement

6. FINAL ACCOUNTS 2019/20 – REVENUE OUT-TURN

The Cabinet Member for Finance noted that the report had been submitted to the Cabinet on 16 June 2020 and that the Cabinet had approved all the recommendations and financial transactions. He emphasised that the Cabinet Members were all aware of their responsibility to keep to the budget. He noted that the situation in Adult Care and the overspend in the Children and Families Department highlighted cause for concern.

The Senior Finance Manager set out the context and elaborated on the content of the report. Reference was made to a department by department summary of the situation, which highlighted the sums to be carried forward at the end of the year. It was highlighted that the Children and Families Department had an overspend of £3.4m at the end of the financial year, and that the Highways and Municipal Department had an overspend of £547k. Attention was drawn to the further details (appendix 2) and the evident and significant pressure facing the fields of care and waste management in attempting to reduce the impact on the people of Gwynedd by avoiding cutting services. Evidence was seen that there were difficulties in achieving savings.

It was shown that the Adults Department had seen an improvement in the financial situation by the end of the financial year, as a result of receiving and re-directing late grants and using one-off finance of 420k. Without these additional contributions, the department would have overspent by £1.5m; however, additional bids to the value of £1.8m had been received for 2020/21.

It was reported that there had been a further increase in the overspend tendency on operational services, placement and post-16 in the Children and Families Department; and so overspend of £3.4m was reported. It was reiterated that the situation was not unique to Gwynedd but rather a familiar situation across all authorities. Despite this, the situation continued to be one of concern and despite the further allocation of almost £2m to the Department's 2020/21 budget to address the increasing pressure, the failure to realise savings was a matter which needed to be solved - it was intended for this to be addressed in a further report to the Cabinet.

Further observations:

- Highways and Municipal showed a reduction but waste had been a problematic area this year
- Schools' balances had increased from £4m to £4.3m
- Education and YGC had performed better than expected during the year
- The Environment Department had seen underspend, and there had been one-off underspend on several corporate headings
- Following a review of the adequacy of the Council's specific provisions and reserves at the closure of accounts, £825k of resources had been collected.

In response to a comment regarding the fact that several departments had included staff turnover as a problem, it was noted that, in general, if capital expenditure was not taken into account, ¾ of expenditure would be staff expenditure and that it was therefore inevitable that staff issues would arise. It was added that bids had been approved in certain departments to help with this situation.

RESOLVED

- to accept the situation and the relevant risks in the context of the Council's budgets and its departments
- to accept the Cabinet's decisions (16/6/20)

7. GWYNEDD COUNCIL ACCOUNTS STATEMENT 2019/20

The Cabinet Member for Finance took the opportunity to thank all staff at the Finance Department for ensuring that the Council's Accounts Statement had been prepared by 15 June. It was noted that since then, Welsh Government had extended the submission date to November as a number of Councils had confirmed that it would not be possible for them to complete the task by June. The Cabinet Member took great pride, under all the circumstances, in the fact that the Council had managed to complete the statement due to the commitment of department staff during a highly challenging time. He added that the Council's priority since March had been to protect vulnerable people in our communities.

The Head of Finance added that the statement had been completed in the statutory manner, and noted that the pension figures had skewed the overall figures - these were referred to as paper figures and in order to provide somewhat better understanding of the situation, he referred to the information regarding movements in the reserves (page 79). It was felt that it would be necessary to submit the statement, as it would have dated by the Committee's next meeting (14/09/20). As it would not be possible for Deloitte to complete its audit of the accounts until September, it was considered that the Committee could, at that meeting, focus on the external auditors' audit. The Senior Finance Manager added that six sets of accounts had been completed and in the statement's context, it was noted that it was a complex and lengthy statement which adhered to the CIPFA standard form. Attention was drawn to the narrative report and to the main issues contained within the report.

RESOLVED to accept the Statutory Statement of Accounts (pre audit draft) for information

8. GWYNEDD HARBOURS' FINAL ACCOUNTS 2019/20

The Senior Finance Manager submitted the report and it was explained that Gwynedd, in accordance with the statutory requirements under the Harbours Act 1964, as a harbour authority, was required to provide an annual accounts statement relating to the activities of Barmouth, Aberdyfi, Pwllheli and Porthmadog harbours. Due to the turnover of the harbours being below £2.5m, Gwynedd Harbours was considered to be a small local government body, and therefore completion of an accounts statement form provided by Wales Audit satisfied the statutory requirements.

Reference was made to the income and expenditure account and it was highlighted that despite the income being below target, there was an underspend of £10.5k (maintenance staffing). Attention was drawn to the external auditors' standard form and it was noted that the accounts had already been the subject of an internal audit and, since May, the subject of an external audit undertaken by Deloitte. It was added that an amended version would only be presented to the Committee's next meeting on 14 September 2020 if there was a need to implement changes following audit.

RESOLVED to accept and approve the information
- 2019/20 Income and Revenue Expenditure Account
- Statement of Accounts form for the period ending 31 March 2020 (subject to audit)
- Chair of the Committee to sign the statements (electronically)

9. TREASURY MANAGEMENT

The Investment Manager submitted a report in relation to the actual results of the Council's treasury management during 2019/20, compared with the strategy established for that financial year. It was noted that the Council's borrowing activity was within the limits originally set, and £546,000 of interest had been received on investments, which was higher than the £406,000 within the budget. It was confirmed that none of the banks the Council had used for investments had failed to pay.

Attention was drawn to the detail of the borrowing activities, highlighting the fact that long term loans had remained consistent but that the greatest difference was to be seen in the short term loans that had been taken out. It was noted that it would be usual to ask for cash flow towards the end of the year, but with the implications of the Covid-19 pandemic creating uncertainty in terms of how to safely pay out grants to business, the decision was made to take out short term loans in order to pay the grants. It was reported that £15m had already been repaid, with a further £4m yet to be paid.

It was reported that in terms of investments, this had been a quiet period, with the investment options giving fairly low returns. It was noted that the value of the £10m invested in the property fund in February 2019 had reduced significantly by the end of March 2020, and that this was due to the damaging impact of Covid-19. It was added that the value was low, but that there had been a recovery of around 20% in market values since then. The intention was to continue with the investments for the medium / long term, and to have regular discussions with Arling Close to keep an eye on the portfolio. It was highlighted that the rate for returning empty property into use was 4% and turned over a revenue income of approximately £400k per year; and it was therefore an excellent tool to have in a portfolio.

RESOLVED to accept the information.

10. GWYNEDD COUNCIL'S 2020 EXTERNAL AUDIT PLAN

The report was submitted by Alan Hughes (Wales Audit Office) and Ian Howse (Deloitte) It was noted that the accounts would be available to the public until September, with the external auditors submitting their final audit of the accounts after that time.

Attention was drawn to the significant risks which had been identified for investigation by the Council, including the overriding of regulations by managers (which is a common risk to all Authorities), the impact of the national Covid-19 crisis, the completeness of expenditure accrued, GwE income and grant expenditure, looking into the provision made in relation to the McCloud (Pensions) case judgement and initial work to review readiness to submit leases.

In the context of Auditing Performance for the forthcoming year, it was noted that Covid-19 had affected some of the plan's contents. A decision was made to cancel the audit of the Wellbeing Act, and to focus on following the Council's recovery procedure. It was highlighted that the rest of the plan remained the same, and that the Auditors continued to collect assurance and assess risk, undertake work on financial sustainability, and complete the regional review of residential and nursing care commissioning (with scoping work and discussions to commence in September). Attention was drawn to the intention to undertake local work on 'our way of working', but it was noted that it would be necessary to have discussions with officers to determine whether the subject remained appropriate.

RESOLVED to accept the Wales Audit Office report

11. ASSESSMENT OF GWYNEDD COUNCIL'S FINANCIAL SUSTAINABILITY

The report was submitted by Alan Hughes (Wales Audit Office). It was noted that although the report had been written prior to the arrival of Covid-19, the key findings, concepts and principles remained appropriate. Reference was made to the summary of the audit's findings, highlighting the fact that the main finding was that the Council's financial situation remained strong at present, with financial strategy supporting financial resilience. Despite this, a risk was highlighted around the significant overspending of some services, and the

fact that not all savings were being realised. The findings were presented one by one, with attention drawn to the risks.

In response, the Head of Finance expressed gratitude for the report, noting that it was a fair reflection of the situation, but that the report had dated somewhat by now. An verbal update of the current situation was provided:

- Gwynedd had been the first authority to report on the Impact of Covid-19 on the 2020/21 Budget, and this had been presented to Cabinet on 19/05/20.
- Since then, several authorities had received reports from their treasurers, and the common factor in all the reports was the uncertainty -
 - a) regarding the continuation of crisis restrictions, and
 - b) regarding the amount of support to be expected from Welsh Government.
- Gwynedd Council's likely situation had not seen any fundamental changes since reporting in May.
- During the first quarter, the additional expenditure was approximately £2m, which was slightly higher than projected, but a large portion of this had been compensated.
- The additional cost reported did not include Council Tax Reduction payments. It was expected that Welsh Government would also compensate for this, with discussions to be held on 30/07/20
- The Council's loss of income had been slightly lower than anticipated, and there was hope that this amount would also be compensated during Q.1.
- In May, an income loss of £5m in Q.1., and a further £5m in Q.2., had been discussed. The true loss of income in Q.1. was £4.9m, and it was likely that Welsh Government would compensate authorities for a considerable amount of this (application submitted 27/07/20).
- The Welsh Local Government Association (WLGA) were to present a case for Welsh Government to set aside a fund for Q.2., but there was no certainty regarding this.
- The Council's assessment of loss of income did not include the situation in terms of Council Tax collection. This was a concern and impossible to measure at present.
- However, there was reason to expect that Q.2. income would be at a considerably nearer level to the budget as businesses reopened, visitors paid for parking, etc.
- The reserves would take a knock, but there was enough available to cope with the situation for the current year.
- There would be a need to plan forward for 2021/22, as there was no guarantee that the Local Government grant would keep up with inflation - prior to the crisis, the 2020/21 settlement was one of the best in a decade and more, which suggested that the years of strict cuts had been eased.
- It would be necessary to take stock of the situation, and to make efforts to consider a wide range of possibilities for the following year. The information was to be formally presented to the Cabinet in October.

The members expressed their gratitude for the report, and for the Head of Finance's input.

In response to a question regarding the total financial deficit of £37.8m, and how confident we were of these figures, it was noted that the 2019/20 and 2020/21 balances had been dealt with, but that it would be very difficult to put a figure on the other years; the situation was therefore presented with a health warning, due to the uncertainty.

In response to a question as to whether the Council's success would be punished due to the healthy levels of its reserves, it was noted that reserve levels was not a factor which influenced the grant payments from Welsh Government. The claim would be determined based on need and the difference between the income of the current year and the previous year, along with valid true additional costs e.g., cost of additional staff and PPE.

The Cabinet Member noted that there was great uncertainty regarding the total funding we were likely to receive from Welsh Government, who are themselves dependent on decisions made by the Westminster Government. The Cabinet Member was of the opinion that the situation would be acceptable for the current year, but that there was real concern for 2021/22.

In response to a question regarding obtaining a composite report from all the councils in order to have a ratio, it was noted that it was intended to collate all the messages in one national report, but that the conclusion had been reached to redistribute the resources and focus on the situation faced by councils as a result of Covid-19. It was added that there was a need to consider the impact of the risk of 'no income' in future.

RESOLVED to accept the Wales Audit Office report and observations

12. PRODUCT OF INTERNAL AUDIT FOR THE PERIOD 01/02/20 - 31/03/2020

The report of the Audit Manager was submitted for information, which provided the Committee with an update on the internal audit work for the period between 3 February and 31 March 2020. It was noted that 10 of the plan's audits had been completed.

It was explained that new arrangements had been established for follow-up audits. In 2018/19, agreement had been reached on 88 action steps to be completed by 31 March 2020. Following a request for information and evidence from the relevant Units/Services on action progress, it was shown that on 31 March 2020, there was acceptable implementation on 100% of the agreed actions to mitigate high/very high risks, i.e. 11 from 11, and 72.73% of the agreed actions to mitigate medium/low risks, i.e. 56 from 77.

It was added that acceptable action had been taken on 76.13% of agreed steps, i.e. 67 from 88 agreed actions with progress made on 12.5%, i.e. 11 agreed actions. However, no response had been received in relation to 11.36% of the actions, despite a request for information having been submitted.

Reference was made to the audit of the GwE travel cost claims process, which had received a 'limited' assurance level. The purpose of the audit was to ensure that an efficient and effective process was in place to claim travel costs via the self-service system, which reduced the administrative load and kept the risk of loss by mistake or fraud at acceptable levels.

A Member highlighted concern, as the procedure for submitting applications via self-service had reduced the administrative work considerably, that managers were forgetting to check their staff's claims for travel costs. It was confirmed that GwE management had committed to remind managers to check claims in order to mitigate the risk highlighted.

Furthermore, it was considered uncertain whether there had been consideration of value for money in changing the official work locations of some GwE staff. It was emphasised that there was no flaw in the self-service arrangement in general, that managers had a responsibility to check applications for travel costs, and that it was not an administrative role. Regarding GwE specifically, following Gwynedd Cabinet's decision to change the procedure for claiming travel costs, GwE decided to change the work locations of some staff. It was added that Internal Audit was not convinced that remote work locations for staff provided assurance of value for money.

It was reported that discussions had been held between GwE and Corporate Support at the time of changing the work locations, and that GwE had justified the changes before they were approved.

In response to the above, it was suggested that GwE should review the changes to work locations again.

In response to a question as to whether it was commonplace to overturn / change the Cabinet's decision, the Head of Finance noted that the Cabinet had established a travel claims procedure based on work locations, and that GwE had separately re-designated the working location of some staff. It was noted that the Cabinet's decision had not been overturned and that this was not customary practice.

Reference was made to an audit of overtime payments made by the Highways and Municipal Department, which was awarded limited assurance. The purpose of the audit was to ensure that suitable arrangements were in place to ensure that overtime payments were paid at the correct rate and were appropriate.

Despite the excellent work undertaken by the Highways and Municipal Department during the period of the Covid-19 pandemic, concern was raised regarding the fact that an additional £193k had been earmarked for its budget for 2020/21, when the department had an existing overspend of £500k. It was enquired whether there were plans to discuss the service's overspend, and why there was no way of releasing the £193k to them at this point.

In response, it was highlighted that the Department was currently in a transitional year due to changes made to the collection services; with regard to the sum of £193k, it was highlighted that this was a sum included in an application by Gwynedd Council for Government funding due to the crisis. It was noted that it was necessary to weigh up the lost income, and to hold discussions with all services in September to assess the sum, depending on what is approved.

In response to the explanation, the observation to the effect that the Department was in a transitional period and that changes were underway was accepted, but reference was made to several references in the report to staffing arrangements in terms of sickness and absence. An enquiry was made as to whether these matters were given consideration during a transitional period and in plans for rearrangement. With motivation to rush and historical problems with sickness and absences within the service, it was asked whether the arrangements were adequate; if these matters were not given attention, the problems would continue. The observation to the effect that the Department was in a transitional period was accepted; the service was overspending on a yearly basis and therefore needed to be called before the Controls Improvement Working Group.

In response to the concern, it was noted that the Head of Highways and Municipal was addressing these matters due to financial implications. Although sickness and absences were factors in this service, it was suggested that there was a need to examine the overtime policy and the ability to plan work within normal hours in general.

In response, it was proposed that it was necessary to investigate the inconsistencies in the use of the policy across the Council, looking at how overtime was implemented and ensuring that the Council was not open to a case by the Unions.

Bridges Work Programme Scheme - limited assurance level. The purpose of the audit was to ensure that suitable arrangements were in place to conduct inspections of bridges under the care of Gwynedd Council, and that suitable arrangements were in place to prioritise any necessary work to be carried out on them and appoint contractors. Following a suggestion to call the scheme before the controls improvement working group, the Audit Manager noted that this work programme should be excepted as the audit risk score did not reflect the work arrangement processes in place; rather, what was reflected was the risks arising from budgetary limitations for dealing with incidents.

In response to a question regarding bridge maintenance in Gwynedd and how this was funded, the Head of Finance noted that it was possible for capital schemes to be funded by Welsh Government money. It was added that a long list of applications had been submitted for schemes which were 'ready to go', with some bridges included on the schedule of works. However, there was no certainty that the funds would be available.

The members expressed their thanks for the comprehensive report. It was suggested that the services who had not responded to the actions should be invited to the Committee in order to discuss the matters raised. In response to the suggestion, it was considered that this would be a long list of actions, along with the limited assurance level schemes. The Audit Manager suggested that services could be given a second chance to respond with evidence of the actions, and for the committee to receive an update at the next meeting. Should no response have been received by that time, then the next step would be to call them before the Controls Improvement Working Group

RESOLVED: To accept the report and support the agreed actions which have already been submitted to the managers of the relevant services. GwE (regarding travel costs) and Highways and Municipal (regarding overtime) to be called in to the Controls Improvement Working Group

13. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2019 - 2020

The report of the Audit Manager was submitted, expressing Internal Audit's view of the general management environment within the Authority during 2019/20. It was reported that, based on the work completed by Internal Audit, Gwynedd Council had a robust framework of internal management.

It was reported that 49 pieces of work had been included in the final revised audit plan for 2019/20. It was noted that 45 of those assignments had been completed by 31 March 2020, which represented 91.84% of the plan. Of the relevant reports which were given an assurance level, 77.77% received an 'adequate' or 'high' assurance level. Reports were submitted regularly to the Audit and Governance Committee, and in the context of follow-up work, from the 88 agreed actions set in 2018/19, there had been acceptable implementations on 76.14% by 31 March 2020. It was added that progress had been made on 12%, and that no response had been received for 11.36%. The service would revisit these during the current financial year.

It was noted that there had been a decrease in the number of productive days available for Gwynedd Council audits, from 913 days between 1 April 2018 and 31 March 2019, to 681 days for the same period in 2019/20. It was explained that this was due to a maternity absence, assisting Snowdonia National Park Authority in its end of financial year arrangements, and providing an audit service for Byw'n Iach Cyf. It was reported that since April 2020, there had been 7 full-time members of the Internal Audit Team and one Temporary Auditor to cover for a maternity leave and the absence of Senior Auditors to attend College in order to obtain professional qualifications.

In response to a member's question regarding the use of an apprenticeship scheme as a way of ensuring the continuation of the service and its high standard, the Audit Manager noted that she encouraged individuals to gain professional qualifications and take advantage of opportunities within the field.

In response to a question regarding Gwynedd Council's agreement to provide financial support to the Byw'n Iach company despite there being no overview of the situation, the Head of Finance reported that it was a condition that Gwynedd was to compensate Byw'n Iach.

Appreciation of the Audit Manager's work was expressed.

RESOLVED to accept the annual report in accordance with the requirements of the Public Sector Internal Audit Standards for the 2019/20 financial year

14. DRAFT INTERNAL AUDIT PLAN 2020 - 2021

Submitted – the amended draft plan of Internal Audit work for the 2020/21 financial year for comment and approval by the Committee. It was highlighted that, in accordance with best practice and the Public Sector Internal Audit Standards, the Internal Audit plan was subject to continuous review in order to ensure that it remained up to date and reflected changes in the business.

It was explained that the plan had been updated in light of the Covid-19 pandemic and the fact that Internal Audit had been unable to conduct work as usual in the first quarter of the year. It was reported that Internal Audit officers had been redeployed to assist and support the Council by checking and processing Welsh Government Grants for Businesses, administered by the Revenue Service. It was added that the projected expenditure of these grants was £63m, making Gwynedd the second highest council in Wales in terms of expenditure and transactions - with provision for the work reflected in the amended plan.

Attention was drawn to one of the key priorities in the first quarter, as in the two previous financial years, namely to provide an Internal Audit service to approximately 70 community, town and city councils. In order to achieve this and to assist the councils in meeting their statutory timescale in terms of submitting their accounts by 30 June 2020, documentation was received via e-mail where possible, and meetings were conducted by using Zoom or Microsoft Teams, as well as by phone call. The Service received positive feedback from the Clerks/Responsible Financial Officers on the smooth transformation of conducting these audits.

It was reported that the amended Internal Audit plan for 2020/2021 would give appropriate consideration at all times to the possibility of fraud or corruption occurring. It was explained that the service would take advantage of the National Fraud Initiative (NFI) and undertake proactive fraud prevention work with Audit Wales; the decision had also been made to extend the Initiative to target the fraud risks associated with Covid-19 grants or payments made by local authorities. It was added that the Audit officers who had been involved with the work of processing grant payments would not be undertaking this work, in order to ensure independence and appropriate separation of duties. The Service would also continue to give attention to specific grants, especially where the conditions of the grant asked for a review by Internal Audit.

Attention was drawn to the key changes in the amended plan, and it was noted that the plan would provide flexibility, allowing the Service to support the Council with any matters which became apparent, and to act promptly on any risks arising from those matters.

The Head of Finance thanked the staff for their willingness to transfer in order to assist with the high level of grant payments.

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

The meeting commenced at 10.00 and concluded at 13:20

CHAIR

MEETING	Audit and Governance Committee
DATE	15 October 2020
TITLE	Final Accounts for the year ended 31 March 2020 and relevant Audit
PURPOSE	To submit – <ul style="list-style-type: none">• Statement of Accounts post-Audit;• Deloitte’s ‘ISA260’ report;• Letter of Representation (Appendix 1).
RECOMMENDATION	To consider and approve the information before authorising the Chairman to certify the letter
AUTHOR	Dafydd L Edwards, Head of Finance

1. ACCOUNTS FOR 2019/20

This year, the final accounts following audit were to be submitted to the Audit and Governance Committee on 30 July 2020, but due to the Covid-19 emergency and the related lockdown arrangements, Welsh Government extended the timetable including electors’ rights to inspect the accounts. Therefore, the Statement of Accounts for 2019/20 (subject to audit) were presented to the Audit and Governance Committee on 30 July 2020, where they were scrutinised accordingly.

Although the intention was to complete the audit and present to the Audit and Governance Committee on 14 September 2020, the audit was delayed due to valuations of the Council’s waste disposal sites. As a result, the final accounts following audit are presented to the Audit and Governance Committee on 15 October 2020, and is within this year’s statutory deadline of 30 November 2020.

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

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

3. POST-AUDIT FINANCIAL STATEMENTS FOR 2019/20

The final version (post-audit) of the Statement of Accounts for 2019/20 is also presented here. The main amendments since the pre-audit version have been outlined in sections 8 and 15 of Deloitte’s ‘ISA260’ report.

4. RECOMMENDATION

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

- ‘ISA260’ report by Deloitte in respect of Gwynedd Council
- Statement of Accounts for 2019/20 (post-audit)

5. LETTER OF REPRESENTATION

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

6. CERTIFICATION BY THE APPOINTED AUDITOR

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

Gwynedd Council

STATEMENT OF ACCOUNTS 2019/20

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 113.

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.
- **Balance Sheet** - Sets out the financial position of the Council on 31 March 2020.
- **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 have been prepared on a going concern basis and 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 extra funding to meet some of the additional costs deriving from 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 £406m during 2019/20, with the net position as £269m.
- 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	(446)	85,311	10,703	96,014
Corporate Support	7,551	(63)	7,488	2,072	9,560
Finance	6,025	85	6,110	1,644	7,754
Economy and Community	4,294	(213)	4,081	3,370	7,451
Adults, Health and Well-being	51,326	182	51,508	5,997	57,505
Children and Family Support	18,053	(85)	17,968	1,848	19,816
Highways and Municipal (including Trunk Roads)	24,980	(488)	24,492	10,631	35,123
Environment	3,160	535	3,695	4,336	8,031
Housing and Property	3,223	(18)	3,205	3,906	7,111
Corporate Management Team and Legal	1,641	11	1,652	257	1,909
Gwynedd Consultancy	90	(25)	65	1,309	1,374
Corporate	66,357	(51,875)	14,482	2,728	17,210
Cost of Services	272,457	(52,400)	220,057	48,801	268,858
Other (Contains Centralised and Corporate Adjustment)	(7,044)	52,400	45,356	(48,801)	(3,445)
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 £6m 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 Well-being	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 Notes 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 recommended 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 £29.1m 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
Group Accountant – Corporate and Projects
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.

Chair Audit and Governance Committee

15 October 2020

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

2 October 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	7,962	91,394	Education	85,311	10,703	96,014
7,801	2,265	10,066	Corporate Support	7,488	2,072	9,560
5,915	1,284	7,199	Finance	6,110	1,644	7,754
4,273	3,162	7,435	Economy and Community	4,081	3,370	7,451
49,407	5,087	54,494	Adults, Health and Well-being	51,508	5,997	57,505
15,792	1,631	17,423	Children and Family Support	17,968	1,848	19,816
24,309	7,614	31,923	Highways and Municipal (including Trunk Roads*)	24,492	10,631	35,123
1,488	3,744	5,232	Environment	3,695	4,336	8,031
3,209	4,014	7,223	Housing and Property	3,205	3,906	7,111
1,686	232	1,918	Corporate Management Team and Legal	1,652	257	1,909
432	1,135	1,567	Gwynedd Consultancy	65	1,309	1,374
9,297	(2,292)	7,005	Corporate	14,482	2,728	17,210
207,041	35,838	242,879	Cost of Services	220,057	48,801	268,858
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	15,571	(2,440)	13,131
(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)	27,938	21,733
(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			2019/20			Note
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000	£'000	£'000	£'000	
113,322	(21,928)	91,394	Education	119,901	(23,887)	96,014
11,604	(1,538)	10,066	Corporate Support	11,035	(1,475)	9,560
9,582	(2,383)	7,199	Finance	10,288	(2,534)	7,754
15,949	(8,514)	7,435	Economy and Community	13,017	(5,566)	7,451
78,274	(23,780)	54,494	Adults, Health and Well-being	85,377	(27,872)	57,505
27,472	(10,049)	17,423	Children and Family Support	32,763	(12,947)	19,816
49,315	(17,392)	31,923	Highways and Municipal (including Trunk Roads*)	52,031	(16,908)	35,123
13,579	(8,347)	5,232	Environment	16,100	(8,069)	8,031
9,786	(2,563)	7,223	Housing and Property	10,865	(3,754)	7,111
2,574	(656)	1,918	Corporate Management Team and Legal	2,796	(887)	1,909
6,997	(5,430)	1,567	Gwynedd Consultancy	6,776	(5,402)	1,374
39,075	(32,070)	7,005	Corporate	45,501	(28,291)	17,210
377,529	(134,650)	242,879	Cost of Services	406,450	(137,592)	268,858
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	(546)	13,131
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	444,210	(422,477)	21,733
		(10,326)	(Surplus)/Deficit on revaluation of Fixed Assets	23.1		(6,070)
		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			(96,653)
		43,665	Total Comprehensive Income and Expenditure			(74,920)

* 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.

	Note	Additional Information			Statement of Movement in Reserves					
		Unearmarked General Fund Balance	Earmarked General Fund Reserves	Total Reserves held by Schools	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'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		21,733	0	0	21,733	0	0	21,733	(96,653)	(74,920)
Adjustments between accounting basis and funding basis under regulations	9	(27,938)	0	0	(27,938)	(71)	1,295	(26,714)	26,714	0
(Increase)/Decrease in 2019/20		(6,205)	0	0	(6,205)	(71)	1,295	(4,981)	(69,939)	(74,920)
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)	(69,939)	(74,920)
Balance 31 March 2020 carried forward		(7,572)	(59,185)	(4,333)	(71,090)	(2,211)	(4,725)	(78,026)	(42,095)	(120,121)

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	461,009
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		467,159
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		120,121
(73,045)	Usable Reserves		(78,026)
27,844	Unusable Reserves	23	(42,095)
(45,201)	Total Reserves		(120,121)

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		21,733
(40,347)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24a	(36,412)
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

I.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. The accounts have been prepared on a going concern basis.

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

I.2 Accruals of Expenditure and Income

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

- Revenue from 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.

I.3 Cash and Cash Equivalents

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

I.4 Contingent Assets / Contingent Liabilities

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

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

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

NOTE I – ACCOUNTING POLICIES (continued)

1.5 Corporate

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

1.6 Employee Benefits

1.6.1 Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end 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 for current employees.

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.

NOTE I – ACCOUNTING POLICIES (continued)

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 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 instrument 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 I – 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 I – 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 is 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.

NOTE I – ACCOUNTING POLICIES (continued)

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

Revaluation Reserve; if there is no increase it follows that there has been an impairment to the value of the asset (see below for the method for accounting for impairment). Specifically for assets categorised as Land and Buildings, and Community Assets where expenditure in year of over £100,000 has been incurred on a single asset, the Council's Corporate Property Manager (M.R.I.C.S.) reviews the assets and revalues 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

NOTE 1 – ACCOUNTING POLICIES (continued)

Depreciation is not charged in the year of acquisition.

Minimum Revenue Provision

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

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: 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.

NOTE I – ACCOUNTING POLICIES (continued)

- The Council takes a risk-based approach to maintaining an adequate level of balances and reserves to meet future spending needs. When considering the annual budget and medium-term financial strategy, the Council will set out its intention regarding the level of general balances and reserves, in the context of all relevant risks. Refer to the approval of the full policy in respect of reserves by the Council Cabinet on 23 June 2015.
- Certain reserves, namely “unusable reserves”, are kept for the technical purpose of managing the accounting processes for non-current assets, financial instruments and employee benefits. These do not represent the usable resources of the Authority.

1.21 Revenue Expenditure Funded from Capital Under Statute

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

1.22 Value Added Tax

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

1.23 Debtors and Creditors

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

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

1.24 Allocation of Interest Received

The Authority invests surplus funds for periods varying from overnight to 13 months (with the exception of 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.

1.25 Borrowing Costs

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

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

1.26 Interest in Companies and Other Entities

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

1.27 Current Assets Held for Sale

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

NOTE I – ACCOUNTING POLICIES (continued)

1.28 Disposal of Assets

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

the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

1.29 Capital Receipts

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

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

1.30 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.

NOTE 1 – ACCOUNTING POLICIES (continued)

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;
- 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

As a result of two changes, the following items have been adjusted in 2019/20 for the prior period. One was due to the new Housing and Property department being formed, and operational from September 2019. The other change was to ensure that each department includes the appropriate charges for the use of its non-current assets and employee benefit costs which had all previously been allocated to the Corporate line in error.

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	7,962	7,962	83,432	7,962	91,394
Corporate Support	7,801	0	7,801	0	2,265	2,265	7,801	2,265	10,066
Finance	5,915	0	5,915	0	1,284	1,284	5,915	1,284	7,199
Economy and Community	4,273	0	4,273	0	3,162	3,162	4,273	3,162	7,435
Adults, Health and Well-being	51,135	(63)	51,072	(1,728)	5,150	3,422	49,406	5,087	54,494
Children and Family Support	15,792	0	15,792	0	1,631	1,631	15,792	1,631	17,423
Highways and Municipal (including Trunk Roads*)	24,309	0	24,309	0	7,614	7,614	24,309	7,614	31,923
Environment	2,969	0	2,969	(1,481)	3,744	2,263	1,488	3,744	5,232
Housing and Property	0	0	0	3,209	4,014	7,223	3,209	4,014	7,223
Corporate Management Team and Legal	1,686	0	1,686	0	232	232	1,686	232	1,918
Gwynedd Consultancy	432	0	432	0	1,135	1,135	432	1,135	1,567
Corporate	9,297	35,901	45,198	0	(38,193)	(38,193)	9,297	(2,292)	7,005
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	8,097	(135)	7,962	113,322	(21,928)	91,394
Corporate Support		9,339	(1,538)	7,801	2,265	0	2,265	11,604	(1,538)	10,066
Finance		8,298	(2,383)	5,915	1,284	0	1,284	9,582	(2,383)	7,199
Economy and Community		12,787	(8,514)	4,273	3,162	0	3,162	15,949	(8,514)	7,435
Adults, Health and Well-being		75,914	(24,842)	51,072	2,360	1,062	3,422	78,274	(23,780)	54,494
Children and Family Support		25,835	(10,043)	15,792	1,637	(6)	1,631	27,472	(10,049)	17,423
Highways and Municipal (including Trunk Roads*)		41,701	(17,392)	24,309	7,614	0	7,614	49,315	(17,392)	31,923
Environment		11,937	(8,968)	2,969	1,642	621	2,263	13,579	(8,347)	5,232
Housing and Property		0	0	0	9,786	(2,563)	7,223	9,786	(2,563)	7,223
Corporate Management Team and Legal		2,342	(656)	1,686	232	0	232	2,574	(656)	1,918
Gwynedd Consultancy		5,862	(5,430)	432	1,135	0	1,135	6,997	(5,430)	1,567
Corporate		78,289	(33,091)	45,198	(39,214)	1,021	(38,193)	39,075	(32,070)	7,005
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)						(10,326)
(Surplus)/Deficit on revaluation of Financial Instruments	23			448						448
Remeasurements of the net pension defined benefit liability/(assets)	23			48,870						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

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	As previously stated 2018-19						Restatement					As restated 2018-19						
	Adjustments for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (iii)	Total Statutory Adjustments	Other (Non-statutory) Adjustments (iv)	Total Adjustments	Adjustments for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (iii)	Total Statutory Adjustments	Other (Non-statutory) Adjustments (iv)	Total Adjustments	Adjustments for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (iii)	Total Statutory Adjustments	Other (Non-statutory) Adjustments (iv)	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education	0	0	0	0	0	0	4,378	3,584	0	7,962	0	7,962	4,378	3,584	0	7,962	0	7,962
Corporate Support	0	0	0	0	0	0	1,092	1,173	0	2,265	0	2,265	1,092	1,173	0	2,265	0	2,265
Finance	0	0	0	0	0	0	171	1,113	0	1,284	0	1,284	171	1,113	0	1,284	0	1,284
Economy and Community	0	0	0	0	0	0	1,957	1,205	0	3,162	0	3,162	1,957	1,205	0	3,162	0	3,162
Adults, Health and Wellbeing	0	0	0	0	(63)	(63)	666	4,484	0	5,150	0	5,150	666	4,484	0	5,150	(63)	5,087
Children and Family Support	0	0	0	0	0	0	22	1,609	0	1,631	0	1,631	22	1,609	0	1,631	0	1,631
Highways and Municipal*	0	0	0	0	0	0	3,739	3,875	0	7,614	0	7,614	3,739	3,875	0	7,614	0	7,614
Environment	0	0	0	0	0	0	2,923	821	0	3,744	0	3,744	2,923	821	0	3,744	0	3,744
Housing and Property	0	0	0	0	0	0	3,360	654	0	4,014	0	4,014	3,360	654	0	4,014	0	4,014
Corporate Management Team and Legal	0	0	0	0	0	0	1	231	0	232	0	232	1	231	0	232	0	232
Gwynedd Consultancy	0	0	0	0	0	0	373	762	0	1,135	0	1,135	373	762	0	1,135	0	1,135
Corporate	19,110	16,300	516	35,926	(25)	35,901	(18,682)	(19,511)	0	(38,193)	0	(38,193)	428	(3,211)	516	(2,267)	(25)	(2,292)
Cost of Services	19,110	16,300	516	35,926	(88)	35,838	0	0	0	0	0	0	19,110	16,300	516	35,926	(88)	35,838
Other Operating Expenditure	174	0	0	174	0	174	0	0	0	0	0	0	174	0	0	174	0	174
Financing and Investment Income and Expenditure	(11,635)	6,363	(78)	(5,350)	88	(5,262)	0	0	0	0	0	0	(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)	0	0	0	0	0	0	(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	0	0	0	0	0	0	(5,932)	22,663	438	17,169	0	17,169

* includes 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. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, it is considered that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that valuers are faced with an unprecedented set of circumstances on which to base a judgement. The valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, it is recommended that the valuation of these properties are kept under frequent review. 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.

The Coronavirus (COVID-19) pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, year-end valuation reports provided to the Gwynedd Pension Fund include a statement that there is a material valuation uncertainty related to the UK property funds managed on behalf of the Fund. The total value of the investments in UK property funds in Gwynedd Pension Fund’s portfolio of assets as at 31st March 2020 was £191m of which, £67.9m is attributable to Gwynedd Council as an employer in the Pension Fund. As a result, the property fund valuations at 31 March 2020 may be subject to a higher level of uncertainty.

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 £6m on the revaluation of property, plant and equipment assets (Note 15 and 23.1).

NOTE 8 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2019/20	ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS					
	Adjustments for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (iii)	Total Statutory Adjustments	Other (Non-statutory) Adjustments (iv)	Total Adjustments
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	£'000	£'000	£'000	£'000	£'000	£'000
Education	6,663	4,040	0	10,703	0	10,703
Corporate Support	806	1,266	0	2,072	0	2,072
Finance	419	1,225	0	1,644	0	1,644
Economy and Community	2,604	766	0	3,370	0	3,370
Adults, Health and Well-being	972	5,090	0	6,062	(65)	5,997
Children and Family Support	1	1,847	0	1,848	0	1,848
Highways and Municipal (including Trunk Roads*)	6,214	4,417	0	10,631	0	10,631
Environment	3,429	907	0	4,336	0	4,336
Housing and Property	3,192	714	0	3,906	0	3,906
Corporate Management Team and Legal	1	256	0	257	0	257
Gwynedd Consultancy	377	932	0	1,309	0	1,309
Corporate	375	1,809	700	2,884	(156)	2,728
Cost of Services	25,053	23,269	700	49,022	(221)	48,801
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	(3,375)	30,710	603	27,938	0	27,938

* 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	4,378	3,584	0	7,962	0	7,962
Corporate Support	1,092	1,173	0	2,265	0	2,265
Finance	171	1,113	0	1,284	0	1,284
Economy and Community	1,957	1,205	0	3,162	0	3,162
Adults, Health and Well-being	666	4,484	0	5,150	(63)	5,087
Children and Family Support	22	1,609	0	1,631	0	1,631
Highways and Municipal (including Trunk Roads*)	3,739	3,875	0	7,614	0	7,614
Environment	2,923	821	0	3,744	0	3,744
Housing and Property	3,360	654	0	4,014	0	4,014
Corporate Management Team and Legal	1	231	0	232	0	232
Gwynedd Consultancy	373	762	0	1,135	0	1,135
Corporate	428	(3,211)	516	(2,267)	(25)	(2,292)
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)	(6,629)	0	0	6,629
Total Adjustments to Revenue Resources	(37,888)	0	0	37,888
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	(27,938)	(71)	1,295	26,714

NOTE 9 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (continued)

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	6,009
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	13,131

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	(14,290)	0	0	(132)	(175)	0	(14,597)
Revaluation - to Services	(2,632)	0	0	(329)	(68)	0	(3,029)
Balance at 31.03.20	307,919	215,543	49,305	687	1,989	3,927	579,370
Depreciation							
Balance at 1.04.19	7,205	49,983	27,500	2	(1)	0	84,689
Depreciation in year	5,901	5,585	4,223	2	9	0	15,720
Sales	0	0	(1,477)	0	0	0	(1,477)
Transfers	0	0	0	0	0	0	0
Revaluation	(6,131)	0	0	0	(5)	0	(6,136)
Balance at 31.03.20	6,975	55,568	30,246	4	3	0	92,796
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	(17,745)	0	0	(132)	(7)	0	(17,884)
Balance at 31.03.20	23,351	63	68	97	26	0	23,605
Net Book Value 31 March 2020	277,593	159,912	18,991	586	1,960	3,927	462,969
Net Book Value 31 March 2019	265,026	158,331	16,663	913	2,225	9,615	452,773

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 and non-operational assets (Surplus) in accordance with 1.15. 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.

	Land and Buildings	Infrastructure	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	28,407	215,543	49,305	465	0	3,927	297,647
Valued at current value as at :							
31 March 2020	156,213	0	0	0	1,015	0	157,228
31 March 2019	39,016	0	0	0	974	0	39,990
31 March 2018	21,055	0	0	103	0	0	21,158
31 March 2017	16,467	0	0	119	0	0	16,586
31 March 2016	46,761	0	0	0	0	0	46,761
Total cost or valuation	307,919	215,543	49,305	687	1,989	3,927	579,370

Refer to note 1.17 also for the basis of depreciation on various categories of assets.

Eleven schools under church governance are used by the Education Department, with ten 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	31 March	31 March	31 March
	2019	2020	2019	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 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 value 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 £0.22m (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	88,843
191,010	Capital Adjustment Account	197,617
(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	42,095

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	10,505
(4,625)	Downward revaluation of assets and impairment losses	(4,435)
10,326	Surplus/(deficit) on revaluation of assets	6,070
(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	88,843

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	(22,211)
(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	1,955
191,010	Balance 31 March	197,617

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)

NOTE 23 – UNUSABLE RESERVES (continued)

23.6 Accumulated Absences Account

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

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	(15,720)
(1,815) Impairment and downward valuations	(6,491)
4,514 (Increase)/Decrease in Creditors	1,472
(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)	(36,412)

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 £'000	<u>Expenditure / Income</u>	2019/20 £'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	27,121
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	444,210
	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	21,733

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 Well-being	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.

NOTE 30 – OFFICERS’ REMUNERATION (continued)

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 6.11:1 (6.37:1 in 2018/19).

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
	<hr/> 1,562	<hr/> 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 Well-being Grants	702	782
Other Grants	76	48
	<hr/> 1,087	<hr/> 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 42 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 Iach Ltd was established on 27 June 2018 to provide a leisure service for the residents of Gwynedd. The company is limited by guarantee and the Council's liability is limited to £1, with Gwynedd Council being the sole proprietor. Management responsibilities were transferred to the Leisure Company on 1 April 2019 with a service contract in place which sets out the actual services and outcomes that the company is required to deliver for its 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 Iach website. The payments to Byw'n Iach 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	463,267
(84,835)	Revaluation Reserve	(88,843)
(191,010)	Capital Adjustment Account	(197,617)
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	4,881
(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	(1,955)
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 GwyrAD Service Concession Arrangement (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 the 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 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. Gwynedd Council's proportion of the total contributions to the Gwynedd Pension Fund in 2019/20 was 36% (33% in 2018/19).
- 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 in Active Markets	Prices not quoted in Active Markets	Total	%	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	%
	£'000	£'000	£'000		£'000	£'000	£'000	
Equity Securities								
Consumer	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

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	Approximate monetary amount
	31 March 2020	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 to 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		Weighted Average Duration
	31 March 2020		
	£'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 was 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 its 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 171 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 170 of these bequests but makes no decision on the use of these funds. In every case, the funds do not represent the assets of the Council and therefore they have not been included in the Balance Sheet.

The total balance of the 170 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 it 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 which are host authorities for finance.

NOTE 44 – EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Head of Finance on 2 October 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. The accounts have been updated since issue on 3 June 2020 to incorporate auditor findings.

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 Lley 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.

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

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 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.
- Monitoring of Cabinet reports will continue naturally 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 Each of the areas of governance has been reviewed in the context of the Covid-19 pandemic and we are satisfied that Gwynedd Council has been able to modify its working arrangements in order to cope with the crisis weakening governance and internal control arrangements in a way that needs to be highlighted in this Annual Governance Statement.
- 4.3 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: 10 09 2020

DATE: 10 09 2020

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Gwynedd Council for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Gwynedd Council as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

Basis for opinion

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

Emphasis of matter – material uncertainty related to property valuations

I draw attention to Note 6 to the financial statements, which describes a material valuation uncertainty clause arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

Emphasis of Matter - UK property funds

I draw attention to Note 6 to the financial statements which describes a material uncertainty regarding the valuation of the UK property funds managed by the Gwynedd Pension Fund. My opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

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

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 8, the responsible financial officer is responsible for the preparation of the statement of accounts which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error. In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

Adrian Crompton
Auditor General for Wales
15 October 2020

24 Cathedral Road
Cardiff
CF11 9LJ

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 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.

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.

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.

Audit of Accounts Report – **Gwynedd Council**

Audit year: 2019-20

Date issued: 5 October 2020

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

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

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

Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

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Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2019-20 accounts in this report.
- 2 We have already discussed these issues with the Principal Accountant (Corporate and Projects) and the Senior Finance Manager.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £8,837,000 for this year's audit.
- 5 We have now almost completed this year's audit but the following work is outstanding:
 - Completion of work being undertaken on assets not revalued in year;
 - Completion of work on splitting of costs relating to capital and pensions across departments;
 - Completion of pension work following receipt of IAS 19 letter from Pension Fund Auditors;
 - Review of the final accounts;
 - Clearance of audit review notes;
 - Finalisation of Partner review;
 - Clearance from quality reviewer;
 - Receipt of signed Letter of Representation.
- 6 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

Impact of Covid-19 on this Year's Audit

- 7 The Covid-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 8 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the Covid-19 pandemic on this year's audit process.

Exhibit 1 – impact of Covid-19 on this year’s audit

Timetable	<ul style="list-style-type: none"> • The deadline for completing your accounts was changed by Welsh Government from 15 June 2020 to 30 August 2020, and the deadline to publish audited accounts was changed from 15 September 2020 to 30 November 2020. • We received the final draft accounts on 3 June 2020. • We expect your audit report to be signed on 15 October 2020.
Electronic signatures	<p>We plan to use electronic signatures for the signing of the accounts.</p>
Audit evidence	<p>The information received in relation to Property Valuations differed to previous years due to no formal report being produced by the Valuer. Instead, the Valuer’s workbook was received which contained a significant amount of information, along with various dates which had not been updated for 2019/20 (although it was confirmed to us that all required valuations had been undertaken for 2019/20), which meant that the review of this information took longer than in normal years.</p> <p>In addition to this, we subsequently identified that a category of assets which were due for revaluation in 2019/20 (waste sites) as part of the Council’s 5 year valuation cycle were not revalued as the Council was unable to engage a specialist valuer to undertake this work. This resulted in subsequent valuation of these properties needing to be undertaken which the Council has now completed, with information being provided for audit w/c 28 September 2020. Our audit work relating to this is ongoing at the time of writing this report and we will update verbally at the Committee meeting.</p>
Other	<p>The impact of Covid-19 meant that we needed to factor additional considerations into our risk assessment and certain areas of our audit required further work, such as property valuations, pensions and the going concern assessment. We note that it has also resulted in a material uncertainty being attached to the property valuations produced by the Council’s Valuer.</p>

- 9 We will be reviewing what we have learned for our audit process from the Covid-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

Proposed Audit Opinion

- 10 We intend to issue an **unqualified audit opinion** on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 11 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 12 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 13 Our proposed audit report is set out in **Appendix 2**.

Significant Issues arising from the Audit

Uncorrected misstatements

- 14 We set out below the misstatements we identified in the accounts, which have been discussed with management but remain uncorrected. We request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons in writing for not correcting it.
 - We identified that the Council's cash balance includes the full cash balances relating to the Gwynedd Council Harbours Joint Committee (£17.6k), the Joint Planning Policy Committee (£179.2k) and the North Wales Economic Ambition Board (£508.8k). There are no separate bank accounts for the joint committees and as no exercise is undertaken to remove any balances not relating to Gwynedd Council from the cash balance in the Gwynedd Council Statement of Accounts (apart from removing the balances relating to GwE) this balance is being overstated. Whilst the overstatement is not material, it has been noted as part of this report as it exceeds our reporting threshold of £100k.
 - We identified a number of instances which provide evidence that the creditors balance has been understated. Whilst all of the instances identified were below our reporting threshold of £100k, as we have not been able to determine that these are isolated incidents, we have performed an extrapolation of the errors identified which has resulted in a projected error of £2,170k which is not material.
 - We identified numerous small errors as a result of our debtors testing. All were below our reporting threshold of £100k individually and in total. However, as we were not able to conclude that these were isolated errors we have extrapolated the potential error which totals to £580k. The errors identified included a balance which we concluded was not a genuine debtor, two balances which were yet to be received by the Council which raises uncertainty about their recoverability, and one debtor which was based on an estimate that was lower than the final debtor amount.
 - A legal challenge has been made against the Government in respect of unequitable pension benefits for male spouses of female members (in respect of service before 1988). An Employment Tribunal has recently upheld the claim, resulting in an additional liability needing to be recognised in FY20, as a post balance sheet adjusting event, as a past service cost. We note that this is an area which has been developing since the accounts were first drafted, and our pension specialists have estimated

that the impact of this could be in the order of 0.2% of the defined benefit obligation (i.e. around £2m) which is not considered to be material.

Corrected misstatements

- 15 There were initially misstatements in the accounts that have now been corrected by management. These were not material so we do not believe they need to be drawn to your attention, with the exception of the misstatement included below (which we have yet to complete our audit work on). Where we have identified a control deficiency as a result of the misstatements identified, which has been included within **Appendix 3**.

Value of correction	Nature of correction	Reason for correction
There is no impact on the total cost of services as this relates to a reclassification between departments. The biggest change as a result of this relates to Corporate where expenditure has decreased from £91,352k to £45,501k.	The Council have reallocated costs relating to the use of non-current assets (e.g. depreciation) and employee benefits from all being included within the Corporate department, and to instead reflect the appropriate department. This relates to costs in the current year and prior year.	Per paragraph 3.4.2.39 of the CIPFA code, there is a requirement to include within each department the appropriate charges for use of non-current assets and employee benefit accrued costs.

Other Significant Issues arising from the Audit

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

Recommendations

- 17 The recommendations arising from our audit are set out in **Appendix 3**. Management has responded to them and we will follow up progress against them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report. We note that recommendations raised in the 2018/19 ISA 260 have not been re-raised. The recommendation relating to Car Park Revaluations has not been followed up as Car Parks were not subject to a full revaluation in 2019/20. The recommendation relating to disposals has not been re-raised as we have not identified any issues on testing disposals in 2019/20. The recommendation relating to IT findings has been superseded by the findings in **Appendix 3**.

Appendix 1

Letter of Representation

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

15 October 2020

Representations regarding the 2019/20 financial statements

This letter is provided in connection with your audit of the financial statements of Gwynedd Council for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Gwynedd Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The value of those assets which are currently held at historic cost, but should be accounted for at their current value in line with the CIPFA Code of Practice on Local Authority Accounting, is not materially different to their current value.

The pension liability, and related disclosures within the financial statements, are up to date following developments in the McCloud and Goodwin legal cases. Where the liability has not been updated for relevant developments, the impact of this is not material.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

- **Cash balance** - The Council's cash balance includes the full cash balances relating to the Gwynedd Council Harbours Joint Committee (£17.6k), the Joint Planning Policy Committee (£179.2k) and the North Wales Economic Ambition Board (£508.8k) as there are no separate bank accounts for the joint committees and no exercise is undertaken to remove any balances not relating to Gwynedd Council from the cash balance in the Gwynedd Council Statement of Accounts.
- **Understatement of creditors** – A number of errors were identified in relation to the creditors balance, specifically indicating that this balance is understated. Whilst these errors were individual insignificant, a projected error of £2,170k has been estimated.
- **Overstatement of debtors** - A number of errors were identified in relation to the debtors balance, specifically indicating that this balance is overstated. Whilst these errors were individual insignificant, a projected error of £580k has been estimated.
- **Goodwin Pension Case** – The impact of the case is estimated to result in an understatement of the defined benefit obligation of around £2m.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Gwynedd Council's Audit and Governance Committee on 15 October 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Dafydd L Edwards
Head of Finance
Gwynedd Council

Date:

Signed by:

Councillor John Brynmor Hughes
Chairman
Audit & Governance Committee
Gwynedd Council

Date:

Appendix 2

Proposed Audit Report

The independent auditor's report of the Auditor General for Wales to the members of Gwynedd Council Report on the audit of the financial statements

Opinion

I have audited the financial statements of Gwynedd Council for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Gwynedd Council as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

Basis for opinion

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

Emphasis of matter – material uncertainty related to property valuations

I draw attention to Note 6 to the financial statements, which describes a material valuation uncertainty clause arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

Emphasis of Matter - UK property funds

I draw attention to Note 6 to the financial statements which describes a material uncertainty regarding the valuation of the UK property funds managed by the Gwynedd Pension Fund. My opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going

concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 8, the responsible financial officer is responsible for the preparation of the statement of accounts which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Adrian Crompton
Auditor General for Wales
[Date]

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Recommendations

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report:

Exhibit 2: matter arising 1

Matter arising 1 – Separate Bank Accounts for Joint Committees	
Findings	There are no separate bank accounts which have been established in order to hold the joint committees' cash balances.
Priority	Low
Recommendation	It's recommended that the Council considers establishing separate bank accounts to manage the cash balances of the joint committees'.
Benefits of implementing the recommendation	We've noted earlier in this report an immaterial misstatement relating to the Gwynedd Council cash balance and managing the cash balances of the joint committees separately may be beneficial in order to prevent this arising in future years.
Accepted in full by management	Yes
Management response	This recommendation does not ensure value for money for Gwynedd residents and as the impact is not material, we are not changing the current procedure.
Implementation date	When the materiality changes, we will change it at that time.

Exhibit 3: matter arising 2

Matter arising 2 – Review of Payroll Disclosure Note Supporting Reports	
Findings	Initial completeness testing highlighted that approximately 700 employees were not included in the report to support the median pay disclosure. This was discovered to be due to an issue with the parameters set for the report which caused the exclusion of any employees who had pay changes effective from 1 April 2020. The report was re-run with this issue corrected, resulting in the median pay ratio to change and the disclosure has been amended.
Priority	Low
Recommendation	It is recommended that the reports which are received from payroll and are used to support the disclosures in the accounts are reviewed to determine whether they are complete and accurate as part of the process for compiling the accounts. We note arrangements are in place for the review of other notes in the accounts and this appears to have been an isolated exception.
Benefits of implementing the recommendation	To prevent errors in the draft accounts.
Accepted in full by management	Yes
Management response	The requirements of the Median Salary report dictate that a snapshot of historic data is required for its creation. Due to the way in which the parameter for this report is structured the snapshot date used in the creation of the original report resulted in payroll records that were closed on a specific date (March 31 st) being omitted from the output. Since this matter

has now become apparent, we will be aware of the anomaly in future and can ensure that relevant records have not been left out, but we will also be undertaking additional checks from now on to ensure the accuracy of Note 30b.

Implementation date

In advance of 2020/21 accounts closure.

Exhibit 4: matter arising 3

Matter arising 3 – IT Findings	
Findings	As part of our financial audit we engaged IT specialists to assist the audit team with testing the appropriateness of the Council's IT systems which have a direct impact on the production of the financial statements. The IT specialists identified a number of recommendations which have been communicated to management.
Priority	Low
Recommendation	It is recommended that management work with the IT Manager to ensure these recommendations are implemented in a timely manner.
Benefits of implementing the recommendation	To improve the quality and robustness of the IT systems.
Accepted in full by management	Yes
Management response	A number of the recommendations have already been implemented or in the process of being implemented
Implementation date	During 2020/21



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

MEETING	AUDIT COMMITTEE
DATE	15 OCTOBER 2020
TITLE	Gwynedd Pension Fund's Final Accounts for the year ended 31 March 2020 and relevant Audit
PURPOSE	To Submit – <ul style="list-style-type: none">• Statement of Accounts post- Audit;• Deloitte's 'ISA260' report ;• Letter of Representation (Appendix 1)
RECOMMENDATION	To consider and approve the information before authorising the Chairman to certify the letter
AUTHOR	Dafydd L Edwards, Head of Finance

1. ACCOUNTS FOR 2019/20

The Pension Fund's statutory 2019/20 Statement of Accounts (post audit) are attached here, providing details of the Fund's financial activities during the year which ended on 31 March 2020.

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

These accounts have been audited by Deloitte, and the 'ISA 260' report is presented here on behalf of the Auditor General for Wales, detailing Deloitte's findings.

3. RECOMMENDATION

The Audit Committee is asked to consider and approve the -

- Statement of Accounts for 2019/20 (post-audit)
- 'ISA 260' report by Deloitte in respect of Gwynedd Pension Fund

4. LETTER OF REPRESENTATION

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

5. CERTIFICATION BY THE APPOINTED AUDITOR

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

6. PENSION FUND ANNUAL GENERAL MEETING

Gwynedd Pension Fund's Statement of Accounts will also be presented formally to all employers at the Pension Fund's Annual General Meeting on 19 November 2020.

Gwynedd Pension Fund

STATEMENT OF ACCOUNTS 2019/20

NARRATIVE REPORT

Introduction

Gwynedd Pension Fund's accounts and notes for the year 2019/20 are presented here on pages 4 to 40.

The accounts consist of the Gwynedd Pension Fund Account and Net Assets Statement.

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

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

The Coronavirus (COVID-19) pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, year-end valuation reports provided to the Fund include a statement that there is a material valuation uncertainty related to the UK property fund managed on behalf of the Fund. The total value of these funds as at 31 March 2020 is £191.3m. The Committee members and key officers will continue to monitor the impact of this pandemic on the Pension Fund.

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

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

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

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

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

Further information relating to the accounts is available from:

Delyth Jones-Thomas
Investment Manager
01286 679128

Finance Department
Gwynedd Council
Council Offices
Caernarfon
Gwynedd
LL55 1SH

It is part of the Fund's policy to provide full information relating to the Fund's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection will be notified on the Pension Fund website at the appropriate time.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE PENSION FUND'S RESPONSIBILITIES

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

15th October 2020

Audit and Governance Committee Chair

THE HEAD OF FINANCE'S RESPONSIBILITIES

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

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

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

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Pension Fund at 31 March 2020 and the Pension Fund's income and expenditure for the year then ended.

15th October 2020

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

GWYNEDD PENSION FUND ACCOUNTS
2019/20

THE FUND ACCOUNT

31 March 2019 £'000		Notes	31 March 2020 £'000
	Dealings with members, employers and others directly involved in the Fund		
67,930	Contributions	7	74,416
6	Other Income	8	5
3,007	Transfers in from other pension funds	9	4,887
70,943	Total received		79,308
(59,213)	Benefits paid or payable	10	(62,328)
(3,128)	Payments to and on account of leavers	11	(4,669)
(62,341)	Total benefits paid		(66,997)
(14,659)	Management Expenses	12	(13,121)
	Returns on investments		
13,964	Investment income	15	9,318
(195)	Taxes on income		0
135,660	Profit and losses on disposal of investments and changes in the market value of investments	16	(151,518)
149,429	Net returns on investments		(142,200)
143,372	Increase/ (Decrease) in the net assets available for benefits during the year		(143,010)
	Net assets of the Fund		
1,937,975	At 1 April		2,081,347
143,372	Increase/ (Decrease) in net assets		(143,010)
2,081,347			1,938,337

The notes on pages 6 to 40 form part of these Financial Statements

NET ASSETS STATEMENT

31 March 2019		Notes	31 March 2020
£'000			£'000
2,054,595	Investment assets	16	1,928,515
538	Cash deposits	16	783
2,055,133	Total Investment assets		1,929,298
(123)	Investment liabilities	16	0
29,226	Current assets	21	11,929
(2,889)	Current liabilities	22	(2,890)
2,081,347			1,938,337

The Financial Statements do not take into account the Fund's liability to pay pensions and other benefits to all the present contributors to the Fund after the Fund year-end, but rather summarises the transactions and net assets of the Fund. The liabilities of the Fund are taken into account in the periodic actuarial valuations of the Fund (most recently as at 31 March 2019) and are reflected in the levels of employers' contributions determined at the valuation, so that the Fund will be able to meet future liabilities. The actuarial present value of promised retirement benefits is shown in Note 20.

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE I – DESCRIPTION OF FUND

The Gwynedd Pension Fund (“the Fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by Gwynedd Council. The Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Gwynedd Pension Fund Annual Report 2019/20 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended);
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

It is a contributory defined benefit pension scheme administered by Gwynedd Council to provide pensions and other benefits for pensionable employees of Gwynedd Council, two other local authorities and other scheduled, resolution and admission bodies within the former Gwynedd County Council area. Teachers, police officers and firefighters are not included as they are in other national pension schemes. The Fund is overseen by the Pensions Committee, which is a committee of Gwynedd Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Gwynedd Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Resolution bodies, which are city, town and community councils. They have the power to decide if their employees can join the LGPS and pass a resolution accordingly.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

NOTE I – DESCRIPTION OF FUND (continued)

The following bodies are active employers within the Pension Fund:

Scheduled Bodies	
Gwynedd Council	Snowdonia National Park
Conwy County Borough Council	Bryn Eilian School
Isle of Anglesey County Council	Emrys ap Iwan School
Police and Crime Commissioner for North Wales	Pen y Bryn School
Llandrillo – Menai Group	Eirias High School
GWE	NMWTRA
Resolution Bodies	
Llanllyfni Community Council	Ffestiniog Town Council
Bangor City Council	Llandudno Town Council
Abergele Town Council	Llangefni Town Council
Colwyn Bay Town Council	Menai Bridge Town Council
Beaumaris Town Council	Towyn and Kinmel Bay Town Council
Holyhead Town Council	Tywyn Town Council
Caernarfon Town Council	Conwy Town Council
Trefriw Community Council	Llanfairfechan Town Council
Admission Bodies	
Adult Learning Wales (formerly Coleg Harlech WEA)	North Wales Society for the Blind
CAIS	Conwy Voluntary Services
Conwy Citizens Advice Bureau	Careers Wales North West
Holyhead Joint Burial Committee	Mantell Gwynedd
Cwmni Cynnal	Medrwn Môn
Cwmni'r Fran Wen	Menter Môn
Community Admission Bodies	
Cartrefi Conwy	Adra
Byw'n Iach	
Transferee Admission Bodies	
ABM Catering	Caterlink
Kingdom Services Group	A E & A T Lewis

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 2.75% to 12.5% of pensionable pay for the financial year ended 31 March 2020. Employers also make contributions which are set based on triennial actuarial funding valuations. New employer contribution rates were applied for the three years from 1 April 2017 to 31 March 2020 following the actuarial valuation carried out as at 31 March 2016.

NOTE 1 – DESCRIPTION OF FUND (continued)

d) Benefits

Prior to 1 April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre-1 April 2008	Service post-31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the Fund became a career average scheme as summarised below:

	Service post-31 March 2014
Pension	Each year worked is worth 1/49 x career average revalued earnings (CARE)
Lump Sum	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Accrued pension is increased annually in line with the Consumer Prices Index.

There are a number of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Gwynedd Pension Fund scheme handbook available from Gwynedd Council's Pensions Section.

Benefits are index-linked in order to keep pace with inflation.

NOTE 2 – BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year or the actuarial present value of promised retirement benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 20 of these accounts. The accounts have been prepared on a going concern basis.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the fund's actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 9 and 11).

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

Transfers into the Fund from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 9).

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds including property

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- iv) **Movement in the net market value of investments**
Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Council discloses its pension Fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs, management, accommodation and other overheads associated with oversight and governance are apportioned to the Fund in accordance with Council policy.

Investment management expenses

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

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition the Fund had negotiated with Fidelity International that an element of their fee would be performance-related. This arrangement was terminated on the 30 September 2016, and since then the fee has been based on the market value of the investments under their management.

The cost of obtaining investment advice from external consultants is included in investment management charges.

A proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets statement

g) Financial assets

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

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

- i) **Equities**
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- ii) **Pooled investment vehicles**
Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.
- iii) **Private Equity and Infrastructure**
Investments in private equity funds and infrastructure funds which are unquoted listed partnerships are valued based on the Fund's share of the net assets in the funds or limited partnerships using the latest financial statements published by the respective fund managers in accordance with IFRS guidelines. It is important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments. They are inherently based on forward-looking estimates and judgements involving many factors.

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

k) Actuarial present value of promised retirement benefits

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

As permitted under IAS26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

l) Additional voluntary contributions

Gwynedd Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. There are three AVC funds. They are held with Clerical Medical, The Equitable Life Assurance Society and Standard Life. The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement made up to 31 March confirming the amounts held in their account and the movements in year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 23).

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity and infrastructure investments

The fair value of private equity investments and infrastructure are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure are valued by the investment managers using guidelines set out by IFRS accounting standards. The value of unquoted securities at 31 March 2020 was £157.2 million (£145.6 million at 31 March 2019).

Property fund valuations

The Coronavirus (COVID-19) pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, year-end valuation reports provided to the Fund include a statement that there is a material valuation uncertainty related to the UK property fund managed on behalf of the Fund. The total value of these funds as at 31 March 2020 is £191.3m. As a result, the property fund valuations at 31 March 2020 may be subject to a higher level of uncertainty.

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported in the accounts. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity and infrastructure	Private equity and infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity and infrastructure investments in the financial statements are £157.2 million. There is a risk that this investment may be under or overstated in the accounts.
Property funds	The Coronavirus (COVID-19) pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, year-end valuation reports provided to the Fund include a statement that there is a material valuation uncertainty related to the UK property fund managed on behalf of the Fund. The total value of these funds as at 31 March 2020 is £191.3m. As a result, the property fund valuations at 31 March 2020 may be subject to a higher level of uncertainty.	The total property fund investments in the financial statements are £191.3 million. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6 – EVENTS AFTER THE REPORTING DATE

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

NOTE 7 – CONTRIBUTIONS

By category

2018/19		2019/20
£'000		£'000
17,003	Employees/Members contributions	17,914
	Employers' contributions:	
50,821	• Normal contributions	56,376
106	• Deficit recovery contributions	126
50,927	Total employers' contributions	56,502
67,930	Total contributions receivable	74,416

By type of employer

2018/19		2019/20
£'000		£'000
22,410	Gwynedd Council	27,055
40,980	Other scheduled bodies	42,075
2,000	Admission bodies	2,076
1,953	Community admission bodies	2,623
247	Transferee admission bodies	221
268	Resolution bodies	312
72	Closed fund*	54
67,930		74,416

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

NOTE 8 – OTHER INCOME

2018/19		2019/20
£'000		£'000
1	Interest on deferred contributions	2
5	Income from divorce calculations	3
6		5

NOTE 9 – TRANSFERS IN FROM OTHER PENSION FUNDS

2018/19		2019/20
£'000		£'000
3,007	Individual transfers	4,887
3,007		4,887

NOTE 10 - BENEFITS PAID

By category

2018/19		2019/20
£'000		£'000
45,278	Pensions	48,356
11,949	Commutation and lump sum retirement benefits	12,343
1,986	Lump sum death benefits	1,629
59,213		62,328

By type of employer

2018/19		2019/20
£'000		£'000
16,494	Gwynedd Council	17,714
30,510	Other scheduled bodies	31,958
1,467	Admission bodies	1,520
963	Community admission body	1,472
61	Transferee admission body	223
225	Resolution body	119
9,493	Closed fund	9,322
59,213		62,328

NOTE 11 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2018/19		2019/20
£'000		£'000
	Refunds to members leaving service net of tax	
139	repayments	161
2	Payments for members joining state scheme	1
984	Group Transfers	0
2,003	Individual transfers	4,507
3,128		4,669

The group transfer in 2018/19 was to the North and Mid Wales Trunk Road Agency.

NOTE 12 – MANAGEMENT EXPENSES

2018/19		2019/20
£'000		£'000
1,311	Administrative costs	1,491
13,283	Investment management expenses	11,494
65	Oversight and governance costs	66
0	Wales Pension Partnership	70
14,659		13,121

This analysis of the costs of managing the Gwynedd Pension Fund during the period has been prepared in accordance with CIPFA guidance.

Administrative expenses include amounts charged to the Pension Fund by Gwynedd Council for staff costs, support services and accommodation. Further details are given in Note 24.

Wales Pension Partnership

Included in Management Expenses is the cost of our involvement in the Wales Pension Partnership (WPP) collective Investment Pooling arrangement. The Oversight and Governance costs in Note 13 are the annual running costs of the pool which includes the Host Authority costs and other External Advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales. The Investment Management Expenses in Note 14 are fees payable to Link Fund Solutions (the WPP operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV). The underlying manager fees for the Global Opportunities sub-funds are not included in this table, these fees are disclosed as a narrative to Note 14. Further details on the WPP can be found in the Annual Report.

The following fees are included in Note 12, 13 and 14 in relation to the Wales Pension Partnership:

	2019/20
	£'000
Investment Management Expenses	
Fund Manager fees	1,656
Transaction costs	924
Custody fees	102
	2,682
Oversight and governance costs	
Running Costs	70
	70
Total	2,752

NOTE 13 – ADMINISTRATIVE, OVERSIGHT AND GOVERNANCE COSTS

2018/19 £'000		2019/20 £'000
	Administrative costs	
504	Direct employee costs	563
320	Other direct costs	377
357	Support services, including IT	367
35	External audit fees	34
95	Actuarial fees	150
1,311		1,491
	Oversight and governance costs	
65	Pensions Committee and Local Pension Board	66
0	Wales Pensions Partnership	70
1,376		1,627

NOTE 14 – INVESTMENT MANAGEMENT EXPENSES

2018/19 £'000		2019/20 £'000
13,166	Fund Manager fees	10,393
0	Transaction costs	924
56	Custody fees	117
13	Performance monitoring service	13
48	Investment consultancy fees	47
13,283		11,494

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled investment vehicles. Transaction costs are being reported for the first time in 2019/20, a charge of £165,628 was incurred in transaction costs for 2018/19, however, this was disclosed in the accounts but not actually charged to the accounts in 2018/19.

The WPP Global Opportunities Fund are investments which are appointed via a manger of manager approach which have their own underlying fees. The return for this mandate are net of the underlying manager fees which is reflected in Note 16a within the Change in Market value- for transparency, the fees in 2019/20 were £820,000.

There are no performace- related fees paid to investment managers. In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. They are reflected in the cost of investment purchases and in the proceeds of sales of investments (see Note 16a).

NOTE 15 – INVESTMENT INCOME

2018/19		2019/20
£'000		£'000
6,309	Pooled equities	1,463
1,090	Pooled private equity	529
126	Pooled infrastructure	101
6,241	Pooled property investments	6,929
198	Interest on cash deposits	296
13,964	Total before taxes	9,318

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

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

NOTE 16 – INVESTMENTS

31 March		31 March
2019		2020
£'000		£'000
	Investment assets	
1,908,982	Pooled investment vehicles (PIV)	1,771,285
107,218	Private equity (PIV)	112,661
38,395	Infrastructure (PIV)	44,569
2,054,595		1,928,515
538	Cash deposits	783
0	Amount receivable from sales of investments	0
2,055,133	Total investment assets	1,929,298
	Investment liabilities	
(123)	Amounts payable for purchases	(0)
(123)	Total investment liabilities	(0)
2,055,010	Net investment assets	1,929,298

During the year 2018/19 Gwynedd Pension Fund transferred most of the active equities into the two global funds in the Wales Pension Partnership (WPP). Further transfers will be made in the coming years until most of the investments are in the WPP.

Note 16a – Reconciliation of movements in investments and derivatives

2019/20	Market value at 1 April 2019	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Equities	0	0	0	0	0
Pooled investment vehicles (PIV)	1,908,982	31,189	(10,317)	(158,569)	1,771,285
Private equity / infrastructure (PIV)	145,613	26,464	(13,054)	(1,793)	157,230
	<u>2,054,595</u>	<u>57,653</u>	<u>(23,371)</u>	<u>(160,362)</u>	<u>1,928,515</u>
Cash deposits	538				783
Amount receivable from sales of investments	0				0
Amounts payable for purchases of investments	(123)				0
Fees within pooled vehicles				8,844	
Net investment assets	2,055,010			(151,518)	1,929,298

2018/19	Market value at 1 April 2018	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Equities	337,188	115,778	(489,524)	36,558	0
Pooled investment vehicles (PIV)	1,412,705	631,601	(216,255)	80,931	1,908,982
Private equity / infrastructure (PIV)	104,310	43,758	(11,401)	8,946	145,613
	<u>1,854,203</u>	<u>791,137</u>	<u>(717,180)</u>	<u>126,435</u>	<u>2,054,595</u>
Cash deposits	44,352			31	538
Amount receivable from sales of investments	5,432				0
Amounts payable for purchases of investments	(4,690)				(123)
Fees within pooled vehicles				9,194	
Net investment assets	1,899,297			135,660	2,055,010

Note 16b – Analysis of investments

31 March 2019 £'000		31 March 2020 £'000	
1,444,431	Pooled Equities (PIV)	1,299,750	
285,250	Pooled Fixed Interest (PIV)	280,279	
179,301	Pooled property investments (PIV)	191,256	
107,218	Private equity (PIV)	112,661	
38,395	Infrastructure (PIV)	44,569	
2,054,595		1,928,515	

Investments analysed by fund manager

Market Value at 31 March 2019 £'000			Market Value at 31 March 2020 £'000		
£'000	%		£'000	%	
656,138	31.9	BlackRock	565,379	29.3	
192,395	9.4	Fidelity	181,742	9.4	
285,254	13.9	Insight	280,282	14.5	
61,073	3.0	Lothbury	60,570	3.2	
145,614	7.1	Partners Group	157,230	8.2	
20,862	1.0	Threadneedle	31,401	1.6	
50,182	2.4	UBS	47,832	2.5	
411	0.0	Veritas	625	0.0	
643,081	31.3	Wales Pensions Partnership	604,237	31.3	
2,055,010	100.0		1,929,298	100.0	

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

Market Value at 31 March 2019 £'000			Market Value at 31 March 2020 £'000		
£'000	%		£'000	%	
285,253	15.4	LF Wales PP Global Opportunities Equity Fund	305,618	15.8	
322,200	15.5	LF Wales PP Global Growth Fund	298,619	15.4	
285,251	13.7	LDI Solutions Plus Bonds	280,279	14.5	
324,729	15.6	Aquila Life UK Equity Index Fund	274,417	14.2	
142,648	7.1	Fidelity Institutional Select Global Equity	137,117	7.1	
139,699	6.7	Aquila Life Global Dev Fundamental Fund	119,881	6.2	

Note 16c – Stock lending

The Investment Strategy Statement permits stock lending subject to specific approval. Currently the Fund does not undertake any stock lending.

NOTE 17 – FINANCIAL INSTRUMENTS

Note 17a – Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

As at 31 March 2019			As at 31 March 2020		
Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
1,908,982			1,771,285		
107,218			112,661		
38,395			44,569		
	23,151			8,883	
	6,613			3,829	
2,054,595	29,764	0	1,928,515	12,712	0
Financial liabilities					
		(3,012)			(2,890)
0	0	(3,012)	0	0	(2,890)
2,054,595	29,764	(3,012)	1,928,515	12,712	(2,890)

Note 17b – Net gains and losses on financial instruments

31 March 2019		31 March 2020
Fair value		Fair value
£'000		£'000
Financial assets		
126,435	Fair value through profit and loss	(160,362)
31	Loans and receivables	0
126,466	Total financial assets	(160,362)
Financial liabilities		
0	Fair value through profit and loss	0
0	Financial liabilities at cost	0
0	Total financial liabilities	0
126,466	Net financial assets	(160,362)

Note 17c – Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

31 March 2019			31 March 2020	
Carrying value	Fair value		Carrying value	Fair value
£'000	£'000		£'000	£'000
Financial assets				
1,532,175	2,054,595	Fair value through profit and loss	1,576,105	1,928,515
29,764	29,764	Loans and receivables	12,712	12,712
1,561,939	2,084,359	Total financial assets	1,588,817	1,941,227
Financial liabilities				
(123)	(123)	Fair value through profit and loss	0	0
(2,889)	(2,889)	Financial liabilities at cost	(2,890)	(2,890)
(3,012)	(3,012)	Total financial liabilities	(2,890)	(2,890)
1,558,927	2,081,347	Net financial assets	1,585,927	1,938,337

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 17d – Valuation of financial instruments carried at fair value

All investments are held at fair value. The valuation bases are set out below. All assets have been valued using fair values techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market based information. The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments could include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. All property funds have been shown as Level 3 for 31st March 2020 due to restrictions on redemption.

Note 17d – Valuation of financial instruments carried at fair value (continued)

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Gwynedd Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2020	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at fair value through profit and loss	0	1,580,030	348,485	1,928,515
Loans and receivables	12,712	0	0	12,712
Total financial assets	12,712	1,580,030	348,485	1,941,227
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at cost	(2,890)	0	0	(2,890)
Total financial liabilities	(2,890)	0	0	(2,890)
Net financial assets	9,822	1,580,030	348,485	1,938,337

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2019	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at fair value through profit and loss	0	1,797,728	256,867	2,054,595
Loans and receivables	29,764	0	0	29,764
Total financial assets	29,764	1,797,728	256,867	2,084,359
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(123)	0	(123)
Financial liabilities at cost	(2,889)	0	0	(2,889)
Total financial liabilities	(2,889)	(123)	0	(3,012)
Net financial assets	26,875	1,797,605	256,867	2,081,347

Note 17e – Reconciliation of fair value measurements within Level 3

	Market Value 1 April 2019	Transfers into Level 3	Purchases during the year	Sales during the year	Unrealised gains/ (losses)	Realised gains/ (losses)	Market Value 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property Unit Trusts	111,254	68,047	20,644	777	(7,818)	95	191,255
Private Equity	107,218	0	19,408	5,144	(3,101)	5,720	112,661
Infrastructure	38,395	0	7,056	1,746	1,307	443	44,569
Total Level 3	256,867	68,047	47,108	7,667	(9,612)	6,258	348,485

NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**Risk and risk management**

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. The Pension Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to pay pensions. The Funding Strategy Statement produced by the Administering Authority in conjunction with the Fund's Actuaries states how solvency and risk will be managed in relation to liabilities. The Administering Authority has produced this Funding Strategy Statement having taken an overall view of the level of risk inherent in the investment policy set out in the Statement of Investment Principles published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the Investment Regulations) and the funding policy set out in this Statement. The Administering Authority will continue to review both documents to ensure that the overall risk profile remains appropriate.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk for its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a risk factor analysis to ensure that risk remains within tolerable levels;
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within the limits set in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period.

Following analysis of the observed historical volatility of asset class returns in consultation with the Fund's investment advisors potential price changes have been determined for the various classes of assets held by the Fund. The rates to be applied to the Fund's asset categories are as follows:

Asset type	Potential market movement (+/-)	
	31 March 2019	31 March 2020
	%	%
UK Equities	16.6	27.5
Global Equities	16.9	28.0
Emerging Markets Equity	25.3	25.4
Private Equity	28.3	28.4
Pooled Fixed Income	3.0	3.9
Infrastructure	20.1	20.1
Property	14.3	14.2
Cash	0.0	0.0
Total Fund	12.3	18.9

The potential volatilities disclosed above are consistent with a one-standard deviation movement in the change of value of the assets over the latest three years. The total fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

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

Had the market price of the Fund investments increased/decreased in line with the above, the change in the market price of the net assets available to pay benefits would have been as follows:

Asset type	Value as at 31 March 2020 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
UK Pooled Equities	274,417	27.5	349,881	198,952
Overseas Pooled Equities	1,025,335	28.0	1,312,428	738,241
Pooled Private Equity	112,661	28.4	144,544	80,778
Pooled Fixed Income	280,279	3.9	291,210	269,348
Pooled Infrastructure	44,569	20.1	53,528	35,611
Pooled Property	191,255	14.2	218,414	164,097
Cash	9,821	0.0	9,821	9,821
Total assets available to pay benefits	1,938,337	18.9*	2,304,683	1,571,991

* The whole fund values in the table above are based on 18.9% rather than the total of the individual asset types.

Asset type	Value as at 31 March 2019 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Pooled Equities	1,444,431	16.8	1,687,566	1,201,297
Pooled Private Equity	107,218	28.3	137,561	76,875
Pooled Fixed Income	285,250	3.0	293,808	276,693
Pooled Alternatives (Infrastructure)	38,395	20.1	46,112	30,678
Pooled Property	179,301	14.3	204,941	153,661
Cash	26,752	0.0	26,752	26,752
Total assets available to pay benefits	2,081,347	12.3*	2,343,597	1,819,098

* The whole fund values in the table above are based on 12.3% rather than the total of the individual asset types.

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2019 £'000	As at 31 March 2020 £'000
Cash and cash equivalents	22,614	8,100
Cash balances	538	783
Pooled Fixed Income	285,251	280,279
Total	308,403	289,162

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

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

Asset type	Carrying amount as at 31 March 2020	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	8,100	81	(81)
Cash balances	783	8	(8)
Pooled Fixed Income *	280,279	33,633	(33,633)
Total change in assets available	289,162	33,722	(33,722)

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

Asset type	Carrying amount as at 31 March 2019	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	22,614	226	(226)
Cash balances	538	5	(5)
Pooled Fixed Income *	285,251	34,230	(34,230)
Total change in assets available	308,403	34,461	(34,461)

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

The impact that a 1% change in interest rates would have on interest received is minimal as the average interest rate received on cash during the year was 1.53% amounting to interest of £266,995 for the year.

A 1% increase in interest rates will not affect the interest received on fixed income assets but will reduce their fair value, as shown in the tables above. Changes in interest rates do not impact on the value of cash / cash equivalents but they will affect the interest income received on those balances. Changes to both the fair value of assets and income received from investments impact on the net assets to pay benefits but as noted above this does not have a significant effect on the Fund.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds assets denominated in currencies other than £UK.

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

The Fund has made commitments to private equity and infrastructure in foreign currency, (€284 million and \$88.6 million). These commitments are being drawn down on request from the investment manager over a number of years. The current commitments still outstanding are shown in Note 25. The risk is that the pound is weak relative to the dollar and euro at the time of the drawdown and then strengthens when the Fund is fully funded. The Fund has been funding the commitments since 2005 and therefore the liability is balanced out over a long period.

The Fund's currency rate risk has been calculated based on the volatility of the currencies which would affect the value of the investments and any cash held in those currencies.

The following table summarises the Fund's currency exposure as at 31 March 2020 and as at the previous year end:

Currency exposure - asset type	As at	As at
	31 March 2019	31 March 2020
	£'000	£'000
Overseas and Global Equities	1,119,701	1,025,335
Global Pooled Fixed Income	285,250	280,279
Overseas Alternatives (Pooled Private Equity and Pooled Infrastructure)	145,613	157,230
Pooled Overseas Property	1,000	226
Overseas Currency	0	0
Total overseas assets	1,551,564	1,463,070

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisors, the likely volatility associated with foreign exchange rate movements has been calculated with reference to the historic volatility of the currencies and their relative amounts in the Fund's investments.

A 10% fluctuation in the currency is considered reasonable based on the Fund investment advisors' analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period to 31 March 2020. The equivalent rate for the year ended 31 March 2019 was 10%. This analysis assumes that all other variables, in particular interest rates, remain constant.

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

The tables below show a breakdown of the Fund's exposure to individual currencies as at 31 March 2020 and at the end of the previous financial year:

Currency exposure - by asset type	Carrying amount as at 31 March 2020	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas and Global Equities	1,025,335	1,127,868	922,801
Global Pooled Fixed Income	280,279	308,307	252,251
Overseas Alternatives (Pooled Private Equity and infrastructure)	157,230	172,953	141,507
Pooled Overseas Property	226	249	204
Overseas Currency	0	0	0
Total change in assets available	1,463,070	1,609,377	1,316,763

Currency exposure - by asset type	Carrying amount as at 31 March 2019	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas and Global Equities	1,119,701	1,231,671	1,007,731
Global Pooled Fixed Income	285,250	313,776	256,726
Overseas Alternatives (Pooled Private Equity and infrastructure)	145,613	160,174	131,052
Pooled Overseas Property	1,000	1,100	900
Overseas Currency	0	0	0
Total change in assets available	1,551,564	1,706,721	1,396,409

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

The benchmark for the concentration of the funds held with investment managers is as follows.

Investment Manager	Percentage of Portfolio
BlackRock	29.5%
Fidelity	10.0%
Wales Pension Partnership	28.0%
Insight	15.0%
Property (UBS, Threadneedle, Lothbury, BlackRock)	10.0%
Partners Group	7.5%

All investments held by investment managers are held in the name of the Pension Fund so, if the investment manager fails, the Fund's investments are not classed amongst their assets.

Contractual credit risk is represented by the net payment or receipt that remains outstanding. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

In order to maximise the returns from Short-Term Investments and Cash Deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts. As the Short-Term Investments are made in the name of Gwynedd Council they are shown in full on the Council's Balance Sheet. The Pension Fund element of the Short-Term Investments and Cash Deposits at 31 March 2020 was £8.2m (£22.6m at 31 March 2019).

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of deposits placed with any one class of financial institution. In addition, the Council invests an agreed percentage of funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency. The Council believes it has managed its exposure to credit risk, and has had only one experience of default or uncollectable deposits when Heritable Bank went into administration in 2008. Full details can be seen in Note 28.

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

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so the Administering Authority monitors membership movements on an annual basis.

New employers to the Fund will need to agree to the provision of a bond or obtain a guarantee to reduce the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. As shown in Note 26 two employers have provided bonds. Any future liabilities falling on the Fund as a result of cessation are borne by the whole Fund and spread across all employers. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

This risk has increased by a legal judgement, which potentially indicates that employers with no contributing members cannot be charged contributions under the LGPS Administration Regulations. This ruling, however, does not affect the ability to collect contributions following a cessation valuation under Regulation 38(2). The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions under Regulation 38 of the LGPS (Administration) Regulations 2008 between triennial valuations.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments to pay pensions and other costs and to meet investment commitments.

The Administering Authority has a cash flow system that seeks to ensure that cash is available if needed. In addition, current contributions received from contributing employers and members far exceed the benefits being paid. Surplus cash is invested and cannot be paid back to employers. The Fund's Actuaries establish the contributions that should be paid in order that all future liabilities can be met.

There is no limit on the amount that the Pension Fund bank account can hold. The amounts held in this account should meet the normal liquidity needs of the Fund. Any temporary surplus is invested by the Administering Authority in accordance with the Treasury Management Strategy Statement to provide additional income to the Pension Fund. Surplus cash is invested in accordance with the Statement of Investment Principles.

The Fund also has access to an overdraft facility through the Administering Authority's group bank account arrangements. This facility would only be used to meet short-term timing differences on pension payments. As these borrowings would be of a limited short-term nature, the Fund's exposure to credit risk is considered negligible.

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2020 the value of illiquid assets was £348m, which represented 18.0% of the total Fund assets (31 March 2019: £325m, which represented 15.6% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2020 are due within one year as was the case at 31 March 2019.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

NOTE 19 – FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (Funding Strategy Statement) reviewed as part of the 2019 valuation.

The key elements of the funding policy are:

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

The Funding Strategy Statement sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 17 years if the

NOTE 19 – FUNDING ARRANGEMENTS (continued)

valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the Funding Strategy Statement, there is still around a 70% chance that the Fund will return to full funding over the 17 years.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £2,081 million, were sufficient to meet 108% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2019 valuation was £156 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measured as per the Funding Strategy Statement. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its Funding Strategy Statement.

Principal Actuarial Assumptions and Method used to Value the Liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2020.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	3.9%
Salary increase	2.6%
Benefit increase	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, assuming the current rate of improvements has reached a peak and will converge to a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Mortality assumption	Male Years	Female Years
Current pensioners	21.3	23.4
Future pensioners (aged 45 at the 2019 valuation)	22.2	25.1

NOTE 19 – FUNDING ARRANGEMENTS (continued)

Copies of the 2019 valuation report and the Funding Strategy Statement are available on the Pension Fund's website www.gwyneddpensionfund.org.uk

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

NOTE 20 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19) and has also used them to provide the IAS19, and FRS102 reports for individual employers in the Fund. The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial present value of promised retirement benefits at 31 March 2019 and 2020 are shown below:

	31 March 2019	31 March 2020
Assumptions	£m	£m
Active members	1,674	1,279
Deferred members	434	445
Pensioners	722	809
Total	2,830	2,533

As noted above the liabilities above are calculated on an IAS19 basis and therefore differ from the results of the 2019 triennial funding valuation (see Note 19) because IAS19 stipulates a discount rate rather than a rate that reflects market rates.

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

Assumptions used

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

	31 March 2019	31 March 2020
Assumption	%	%
Pension increase rate	2.5	1.9
Salary increase rate	2.5	2.2
Discount rate	2.4	2.3

The longevity assumption is the same as used for assessing the funding position as shown in Note 19 above.

The commutation assumption allows for future retirements to elect to take 50% of the maximum tax-free cash up to the HMRC limit for pre-April 2008 service and 75% of the maximum tax-free cash up to the HMRC limit for post-April 2008 service.

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

Sensitivity to the assumptions for the year ended 31 March 2020	Approximate % increase to liabilities	Approximate monetary amount £m
	%	
0.5% p.a. increase in the pension increase rate	9	83
0.5% p.a. increase in the salary increase rate	1	12
0.5% p.a. decrease in the discount rate	10	97

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

NOTE 21 – CURRENT ASSETS

31 March 2019		31 March 2020
£'000		£'000
1,227	Contributions due - employees	403
3,682	Contributions due – employers	1,234
1,704	Sundry debtors	2,192
6,613	Total debtors	3,829
22,613	Cash	8,100
29,226	Total	11,929

NOTE 22 – CURRENT LIABILITIES

31 March 2019 £'000		31 March 2020 £'000
1,922	Sundry creditors	1,828
967	Benefits payable	1,062
2,889	Total	2,890

NOTE 23 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

The market value of the funds are stated below:

	Market value at 31 March 2019 £'000	Market value at 31 March 2020 £'000
Clerical Medical	3,851	3,674
Utmost Life	203	193
Standard Life	61	5
Total	4,115	3,872

AVC contributions were paid directly to the managers as follows:

	2018/2019 £'000	2019/2020 £'000
Clerical Medical	613	601
Standard Life	14	10
Total	627	611

NOTE 24 - RELATED PARTY TRANSACTIONS

Gwynedd Council

The Gwynedd Pension Fund is administered by Gwynedd Council. Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1,275,899 (£1,152,315 in 2018/19) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also one of the largest employers of members of the Fund and contributed £27.06m to the Fund in 2019/20 (£22.41m in 2018/19). At the end of the year the Council owed £0.49m to the Fund which was primarily in respect of interest paid on pension fund balances and contributions for March 2020 and the Fund owed £1.24m to the Council which was primarily in respect of recharges from the Council.

The Gwynedd Pension Fund has two bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year. During 2019/20, the Fund received interest of £266,995 (£166,303 in 2018/19) from Gwynedd Council.

NOTE 24 - RELATED PARTY TRANSACTIONS (continued)

Governance

There were two members of the Pensions Committee who were in receipt of pension benefits from the Gwynedd Pension Fund during 2019/20 (committee members J.B. Hughes and P. Jenkins). In addition, committee members S.Glyn (member until 02/05/2019), S.W. Churchman, D. Cowans, A.W. Jones, P. Read, R.W. Williams and I. Thomas are active members of the Pension Fund.

Three members of the Pension Board were in receipt of pension benefits from the Gwynedd Pension Fund during 2019/20 (Board members A.W. Deakin (member until 06/08/2019), H.E. Jones and S. Warnes). In addition, Board members A.Ll. Evans, O. Richards, H. Trainor and S.E. Parry are active members of the Pension Fund.

Key Management Personnel

The CIPFA Code of Practice on Local Authority Accounting exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances in the Code satisfy the key management personnel disclosure requirements of IAS24. This also applies to the accounts of Gwynedd Pension Fund.

The disclosures required can be found in the accounts of Gwynedd Council.

NOTE 25 - COMMITMENTS UNDER INVESTMENT CONTRACTS

Outstanding capital commitments (investments) at 31 March were as follows:

	Total commitments €'000	Commitment at 31 March 2019 €'000	Commitment at 31 March 2020 €'000
P.G. Direct 2006	20,000	776	776
P.G. Global Value 2006	50,000	3,477	3,477
P.G. Secondary 2008	15,000	1,960	1,960
P.G. Global Value 2011	15,000	2,096	2,096
P.G. Global Infrastructure 2012	40,000	8,147	8,147
P.G. Direct 2012	12,000	1,181	1,181
P.G. Global Value 2014	12,000	2,302	1,531
P.G. Direct Equity 2016	50,000	10,348	2,826
P.G. Global Value 2017	42,000	33,677	25,973
P.G. Global Infrastructure 2018	28,000	0	23,688
Total Euros	284,000	63,964	71,655
	\$'000	\$'000	\$'000
P.G. Emerging Markets 2011	7,000	1,082	1,082
P.G. Secondary 2015	38,000	24,692	18,401
P.G. Direct Infrastructure 2015	43,600	23,798	20,840
Total Dollars	88,600	49,572	40,323

'PG' above refers to Partners Group, the investment manager which invests in 'alternatives' (private equity and infrastructure) on behalf of the Fund.

These commitments relate to outstanding call payments on unquoted limited partnership funds held in the private equity part of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of the original commitment.

NOTE 26 – CONTINGENT ASSETS

Two admitted body employers in the Gwynedd Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

NOTE 27 – CONTINGENT LIABILITIES

There are no contingent liabilities identified in accordance with the following explanations:

The McCloud Case

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. The Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there is no finalised outcome of the McCloud case, the Fund Actuary acted in line with SAB's advice in the 2019 valuation and valued all member benefits in line with the current LGPS Regulations. The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes arising from the McCloud judgement are uncertain, the Fund has elected to make an approximate allowance by increasing the required likelihood of success set for contribution rates for all employers. Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

Guaranteed Minimum Pension Equalisation

Guaranteed minimum pension (GMP) accrued in the LGPS from 6 April 1978 to 5 April 1997. In broad terms, the GMP represents the minimum pension an occupational pension scheme must provide a scheme member as an alternative to the State Earnings Related Pension Scheme (SERPS).

GMP's are inherently unequal due to a number of factors, including the differing retirement ages for men (age 65) and women (age 60) and female GMP's accruing at a higher rate. While this can result in differences in GMP Values, what was deemed to matter more is what the members receive in total from the LGPS and the state and whether that leads to inequality. In the past responsibility for paying annual pension increases was divided between the LGPS fund and the state. However, the introduction of the new Single State Pension in April 2016 brought uncertainty over the ongoing indexation of the GMP amount. This led to the Government announcing an interim solution for members reaching State Pension Age between 6 April 2016 and 5 December 2018, which was later extended to at least 5 April 2021, which involves the LGPS fund paying for everything i.e. both initial pension and all increases.

Hymans Robertson, the Fund's Actuary, have said that given the interim solution has been extended to 5 April 2021 they have allowed for the Government's preferred long term (i.e. post 2021) solution of converting GMP to scheme pension in the 31 March 2019 valuations.

NOTE 28 – IMPAIRMENT LOSSES

a) Impairment for bad and doubtful debts

As explained in Note 5 there has not been any impairment for bad and doubtful debts.

b) Impairment of Icelandic bank deposit

During 2008/09 the Council made a deposit of £4m with Heritable Bank which is a UK registered bank under Scottish Law. The pension fund's share of that investment was £565,200. The company was placed in administration on 7 October 2008. The Council has received a return of £3,938,407, equating to 98% from the administrators up to 31 March 2020. The administration is continuing, but the full amount is expected to be recovered in due course.

NOTE 29 - PENSION FUND PUBLICATIONS

A separate Annual Report is produced for the Pension Fund. This document includes the accounts for the Fund along with more information regarding the administration and investment activities. It includes the following documents:

Investment Strategy Statement
Funding Strategy Statement
Governance Policy and Governance Compliance Statement
Communications Policy Statement

Copies can be obtained from the Pension Fund website www.gwyneddpensionfund.org.uk on the investment page or by contacting Delyth Jones-Thomas on 01286 679128.

Audit of Accounts Report – Gwynedd Pension Fund

Audit year: 2019-20

Date issued: October 2020

Document reference:

Purpose of this document

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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.

Contents

The Auditor General intends to issue an **unqualified audit opinion** which includes an emphasis of matter paragraph regarding the valuation uncertainty for the UK property funds on your financial statements. There are no material issues to report to you prior to their approval.

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Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2019-20 accounts in this report.
- 2 We have already discussed these issues with Delyth Wyn Jones-Thomas (Investment manager)
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £19,000,000 for this year's audit.
- 5 We have now substantially completed this year's audit. All outstanding areas of testing are detailed below:
 - a. Completion of subsequent events review
 - b. Final quality assurance procedures
 - c. Receipt of signed management representation letter
- 6 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

Impact of Covid-19 on this Year's Audit

- 7 The Covid-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 8 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the Covid-19 pandemic on this year's audit process.

Exhibit 1 – impact of Covid-19 on this year’s audit

Timetable	<ul style="list-style-type: none">• The deadline for completing your accounts has been changed.• We expect your audit report to be signed in October 2020.
Electronic signatures	Electronic signatures can be used by the audited body and Audit Wales.
Audit evidence	This year journal testing and benefit payments were tested remotely. Usually, this is completed during a site visit by the audit team.
Other	<p>Other challenges we faced included:</p> <ul style="list-style-type: none">• Real Estate specialists were used to assist in the audit of the property funds as they were subject to material valuation uncertainty disclaimer by the valuer;• Receiving third party confirmation information from investment managers later than usual; and• Bank confirmations were requested differently in line with the banks changes to processes due to COVID-19.

- 9 We will be reviewing what we have learned for our audit process from the Covid-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

Proposed Audit Opinion

- 10 We intend to issue an **unqualified audit opinion** which includes an emphasis of matter paragraph regarding the valuation uncertainty for the UK property funds on your financial statements once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 11 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 12 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 13 Our proposed audit report is set out in **Appendix 2**.

Significant Issues arising from the Audit

Uncorrected misstatements

14 The misstatements identified in the accounts, which remain uncorrected are noted below:

[i] GMP equalisation - Adjustments were made as part of the 2019 Valuation and these totalled around £4m additional liabilities. This relates to 0.2% of total liabilities. The estimate is not material and has not yet been split between past and future costs. As a result, we have included the £4m in the uncorrected misstatement schedule as the 'worst case' provision required. We would expect the past amount to be much lower than this total figure.

[ii] McCloud – The actuary confirmed the McCloud adjustment included in this year's IAS26 report was 0.5% of the active liabilities. An amount of 0.5% of the liability (£1,925m) would be £9.625m based on the 31 March 2019 valuation. The estimate is not material and has not yet been split between past and future costs. As a result, we have included the £9.625m in the uncorrected misstatement schedule as the 'worst case' provision required. We would expect the past amount to be much lower than this total figure.

[iii] Goodwin – The actuary has confirmed this is in the early stages but his initial understanding is that it only affects a very small proportion of Fund members. Quotes in external papers have implied impacts of c0.1-0.2% of total liabilities. An amount of 0.2% of the liability would be £3.85m based on the 31 March 2019 valuation. This is a total amount and not based on a past future split. As a result, we have included the £3.85m in the uncorrected misstatement schedule as the 'worst case' provision required. We would expect the past amount to be much lower than this total figure. No disclosure has been made in the financial statements with respect to Goodwin.

A summary of uncorrected misstatements is set out in **Appendix 3**.

Corrected misstatements

15 Corrections have been made to add estimation uncertainty disclosures regarding the property funds as a result of COVID-19 and all property funds have been reclassified to Level 3 assets due to redemption restrictions.

A summary of corrected misstatements is set out in **Appendix 3**.

Significant Risk and other areas of audit attention

Financial audit risk	Proposed audit response
Significant risk	
<p>Management Override of Controls. 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 performed the following tests to address the significant risk around Management Override of Controls:</p> <ul style="list-style-type: none"> • using enhanced data analytics to analyse the whole journal population for characteristics of interest and then substantively test the appropriateness of the journals identified; • reviewed the design and implementation of controls over journal entries to the financial ledger and accounting estimates; • reviewed accounting estimates for evidence of bias; and • evaluated the rationale for any significant transactions outside the normal course of business including those with related parties. <p>No issues were noted other than the control observation in respect of a lack of review of journal entries.</p>
Other areas of audit attention	
<p>Valuation of investments The valuation of investments is an area of focus due to the impact of COVID-19 at the balance sheet date.</p>	<p>My audit team performed the following tests to address the other areas of audit attention:</p> <ul style="list-style-type: none"> • reviewed the design and implementation of key controls over the valuation of investments by obtaining the investment manager internal controls reports (where applicable) and evaluating the implications for our audit of any exceptions noted; • agreed the year end valuations as reported in the financial statements to reports received directly from the investment managers; • performed independent valuation testing for a sample of year end holdings using procedures such as rolling forward the valuation from the

Other areas of audit attention

most recently available audited financial statements of the Fund to the balance sheet date using an appropriate benchmark;

- engaged Real Estate experts to assist in the audit of the property funds; and
- ensured that appropriate stale price adjustments have been posted to the financial statements.

We have confirmed all valuations are as at 31 March 2020 and there are no stale pricing concerns.

UK property funds at 31 March 2020 are £191m, representing 10% of the total assets. The valuation statements include a statement that there is a material valuation uncertainty related to the UK property fund. In line with Audit Wales guidance, an emphasis of matter paragraph will be included in the audit report as the property funds are material.

Corrections have been made to add estimation uncertainty disclosures regarding the property funds as a result of COVID-19 and all property funds have been reclassified to Level 3 assets due to redemption restrictions.

During the year there were no further transfers to the Welsh Pension Partnership's Investment Pool. Carmarthenshire County Council (CCC) is the host authority for the Wales Pension Partnership joint committee (WPP). Gwynedd Pension Fund (GPF) (administered by Gwynedd County Council) had transferred funds to the WPP Global Opportunities and Global Growth sub-funds in January 2019. The audit team based at CCC has provided audit assurance to the audit teams at the other pension funds in Wales. They have:

- obtained, reviewed and drawn conclusions on the control assurance reports for both the fund operator, relevant fund managers and the custodian for the funds;

- provided confirmation of the year end balances in each equity sub fund; and
- reviewed the committee disclosure note that has been provided to all individual administering bodies along with confirmation that the disclosure note is consistent with the Committee's 2019-20 financial statements.

No issues were noted with their testing.

Other Significant Issues arising from the Audit

16 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you including:

- Concerns about the qualitative aspects of accounting practices and financial reporting.
- Any significant difficulties during the audit.
- Significant matters discussed and corresponded upon with management which we need to report to those charged with governance, eg business conditions affecting the entity, significant risks, unusual transactions, factors affecting asset and liability carrying values, selective correction of misstatements, concerns over management contacting other accountants or third parties on accounting or auditing matters.
- Any other matters significant to the oversight of the financial reporting process that we need to report, eg, material misstatements, reporting inconsistencies etc.
- Any identified material weaknesses in internal controls that we have not reported to you already.
- Any other matters specifically required by auditing standards to be communicated to those charged with governance, eg, issues relating to fraud, compliance with laws and regulations, audit of the group, non-disclosure of information such as related parties or significant related party transactions, going concern, subsequent events etc.

There were no issues arising in these areas this year.

Recommendations

- 17 The recommendations arising from our audit are set out in **Appendix 4**. Management has responded to them and we will follow up progress against them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Appendix 1

Final Letter of Representation

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

[Date]

Representations regarding the 2020 financial statements

This letter is provided in connection with your audit of the financial statements of Gwynedd Pension Fund for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation. We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and Code of Practice on Local Authority Accounting in the United Kingdom 2019/20; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.
- We confirm that the Fund is a registered pension fund. We are not aware of any reason why the tax status of the Fund should change.
- We have not made any reports to The Pensions Regulator nor are we aware of any such reports having been made by any of our advisors. We confirm that we are not aware of any late contributions or breaches that have arisen which we considered did not require reporting. We also confirm that we are not aware of any other matters which have arisen that would require a report to The Pensions Regulator.

- We have drawn to your attention all correspondence and notes of meetings with regulators.
- We confirm that no person charged with governance of the Fund is connected with, or is an associate of Wales Audit Office, which would render Wales Audit Office ineligible to act as auditor to the Fund.
- There have been no changes to the Fund rules during the year and up to the current date.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Gwynedd Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

- The Membership data contained within the annual report is accurate and a true and fair view of the Pension Fund's membership numbers.

Financial statement representations

- All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.
- Significant assumptions used in making accounting estimates, including those measured at fair value and assessing the impact of Covid-19 on the Fund, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed.
- All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed, including disclosure of the impact that Covid-19 has had over the Fund financial statements.
- All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.
- The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out in Appendix 1.
- We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with the Code all matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including principal conditions or events and our plans. We do not intend to wind up the Fund. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Fund's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
- We confirm that:
 - (i) we consider that the Fund has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and

- (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.
- We acknowledge that ‘GMP equalisation’, ‘McCloud’, ‘Goodwin’, and ‘UK property funds’ are generic issues raised by auditors in respect of all LGPS funds’ financial statements for the year ended 31 March 2020, and are not unique to Gwynedd Pension Fund.
- The Net Asset Value (NAV) of property funds are not expected to be adversely affected when suspension of the NAV is lifted and trading recommences, in October for some funds.

Representations by Gwynedd Audit & Governance Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that the Fund maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Gwynedd Audit & Governance Committee on [Date].

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Dafydd L Edwards

Councillor John Brynmor Hughes

Head of Finance

Chairman

Gwynedd Council

Audit & Governance Committee

Date:

Date:

Appendix 2

Proposed Audit Opinion

The independent auditor's report of the Auditor General for Wales to the members of Gwynedd Council as administering authority for Gwynedd Pension Fund

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Gwynedd Pension Fund for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004. Gwynedd Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2020 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020, and of the amount and disposition at that date of its assets and liabilities,
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2020.

Basis for opinion

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

Emphasis of Matter - UK property funds

I draw attention to Note 4 to the financial statements which describes a material uncertainty regarding the valuation of the UK property funds. My opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Report on other requirements

Matters on which I report by exception

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Anthony J Barrett

24 Cathedral Road

For and on behalf of the Auditor General for Wales

Cardiff

[Date]

CF11 9LJ

Appendix 3

Summary of Uncorrected Misstatements

During our audit we identified the following misstatements that have been corrected by management.

Exhibit 3a: summary of uncorrected misstatements

Value of uncorrected misstatement	Nature of the uncorrected misstatement	Reason for no correction
Dr Pensions paid £4m Cr Accruals £4m	GMP equalisation - Adjustments were made as part of the 2019 Valuation and these totalled around £4m additional liabilities. This relates to 0.2% of total liabilities. The estimate is not material and has not yet been split between past and future costs. As a result, we have included the £4m in the uncorrected misstatement schedule as the 'worst case' provision required. We would expect the past amount to be much lower than this total figure.	Not material
Dr Pensions paid £9.625m Cr Accruals £9.625m	McCloud – The actuary confirmed the McCloud adjustment included in this year's IAS26 report was 0.5% of the active liabilities. An amount of 0.5% of the liability (£1,925m) would be £9.625m based on the 31 March 2019 valuation. The estimate is not material and has not yet been split between past and future costs. As a result, we have included the £9.625m in the uncorrected misstatement schedule as the 'worst case' provision required. We would expect the past amount to be much lower than this total figure.	Not material
Dr Pensions paid £3.85m Cr Accruals £3.85m	Goodwin – The actuary has confirmed this is in the early stages but his initial understanding is that it only affects a very small proportion of Fund members. Quotes in external papers have implied impacts of c0.1-0.2% of total liabilities. An amount of 0.2% of the liability would be £3.85m based on the 31 March 2019 valuation. This is a total amount and not based on a	Not material

Value of uncorrected misstatement	Nature of the uncorrected misstatement	Reason for no correction
	<p>past future split. As a result, we have included the £3.85m in the uncorrected misstatement schedule as the 'worst case' provision required. We would expect the past amount to be much lower than this total figure. No disclosure has been made in the financial statements with respect to Goodwin.</p>	
<p>Total: Dr Pensions paid £17.475m Cr Accruals £17.475m</p>		

Summary of Corrected misstatements

During our audit we identified the below misstatements and disclosure deficiencies that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Corrections have been made to add estimation uncertainty disclosures regarding the property funds as a result of COVID-19 and all property funds have been reclassified to Level 3 assets due to redemption restrictions.

Appendix 4

Recommendations

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report:

Exhibit 4

Matter arising 1 – Journal authorisation	
Findings	We identified that journals are not reviewed by a more senior member of the team before being posted.
Priority	Medium
Recommendation	All journals should be independently reviewed prior to posting.
Benefits of implementing the recommendation	To ensure proper governance over posting correct and valid journals.
Accepted in full by management	Yes
Management response	A process will be introduced to improve authorisation of journals posted
Implementation date	March 2021

Matter arising 2 – Holding Investments at Market Value in the Trial Balance

Findings	Investments are recorded at cost in the trial balance. The fair value is recorded in an excel spreadsheet to compile the financial statements.
Priority	Low
Recommendation	It is recommended that the Fund hold its investments at Fair Value in the ledger, rather than at book cost.
Benefits of implementing the recommendation	Recording investments at fair value in the ledger would remove the reliance on a complex manual excel spreadsheet that reconciles the investments between fair value and book value for the preparation of the year end accounts.
Accepted in full by management	Yes
Management response	We will look at the possibility of recording the investments fair value on the ledger
Implementation date	March 2021

Follow up of recommendations arising from our previous financial audit work

Monthly contributions reconciliation	
Findings	<p>During our review of the controls around the accuracy & completeness of contributions data received from the Fund's Employers, we noted that although the contributions received are recalculated each month, these are based purely on a monthly contribution return completed by the employer, which is not currently checked to any underlying data. The Fund has no comfort that the figures within these returns are accurate or complete.</p> <p>Though the responsibility for this does lie with the Employer, the Fund should be able to obtain a greater degree of comfort over the accuracy and completeness of contributions. Currently there is no way of knowing how many members it relates to, any changes etc.</p>
Recommendation	<p>On enquiry it was confirmed that the fund administering authority's management have introduced a 'compliance checklist', which they require employers' statutory finance officers, or equivalent, to sign, confirming that various processes and checks have taken place (contributions in line with % bandings, starters, leavers, correct pay details etc.) and that information and contributions passed over to the fund are accurate and in line with LGPS regulations. This provides some additional comfort, though still does not give the Fund access to the detailed data. We recommend that the checklist is used in each instance going forwards and if possible, further checks performed to ensure that the underlying data is complete and accurate. We understand management are making the checklist compulsory from next year, where data integrity is not supported by 'i-Connect' on-line interfaces.</p>
Management response	<p>All employers are now on the iconnect system and the accounts team does now reconcile the information received from the employers to the information from iConnect.</p>
Status	Closed

Membership Numbers	
Finding	<p>We identified that the Pension Manager could not supply a membership number reconciliation between 2016-17 and 2017-18.</p> <p>The reconciliation should show movements of members in the financial year and retrospective changes that revised any prior-year figures. This reconciliation would allow us to audit the movement of member numbers, which we have not been able to do.</p>
Recommendation	<p>a) It is recommended that the Pension Manager develops an Altair report that can count the total (and identify individual) retrospective changes to membership data.</p> <p>b) It is also recommended that the Pension Fund Manager performs a reconciliation between prior-year reported membership numbers and revised membership numbers.</p>
Management response	<p>a) This is aspirational and requires third party software developments even if it is possible for it to be delivered in due course.</p> <p>b) This was carried out for the 2019 triannual valuation and we plan to undertake this on an annual basis from 2020/21.</p>
Status	<p>a) Open</p> <p>b) Closed</p>

Suspense Accounts are not Formally Reconciled

Finding	It was identified that the suspense accounts are not currently being formally reconciled on a monthly basis
Recommendation	It is recommended that the Fund's suspense accounts are reviewed on a monthly basis.
Management response	The suspense accounts have been reconciled on a regular basis during 2019/20.
Status	Closed

Audit Wales

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We welcome correspondence and
telephone calls in Welsh and English. Rydym



yn croesawu gohebiaeth a galwadau ffôn yn
Gymraeg a Saesneg.

Agenda Item 9

MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: 15 OCTOBER 2020

TITLE: SAVINGS OVERVIEW:
PROGRESS REPORT ON REALISING SCHEMES

PURPOSE: Report on the Latest Position

ACTION: Receive the information, consider the general risks arising from slippages, and scrutinise the Cabinet's decisions regarding the Savings Overview

CABINET MEMBER: COUNCILLOR IOAN THOMAS

CONTACT OFFICER: FFION MADOG EVANS, SENIOR FINANCE MANAGER

1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit and Governance Committee is expected to scrutinise some financial matters as appropriate.
2. The attached report (Savings Overview: Progress report on realising savings schemes) was submitted to the Cabinet on 13 October 2020.
3. The Cabinet Member for Finance, and the Chairman of the Audit and Governance Committee have asked us to present this report to the Audit and Governance Committee to be scrutinised.
4. The Audit and Governance Committee is requested to note the position and the relevant risks regarding the Savings Overview, consider the Cabinet's decisions and comment as necessary.

Appendices:

Cabinet Report 13/10/2020: Savings Overview: Progress report on realising savings schemes

REPORT TO THE CABINET

Date	13 October 2020
Cabinet Member	Councillor Ioan Thomas, Cabinet Member – Finance
Subject	Savings Overview: Progress Report on Realising Savings Schemes
Contact Officer	Ffion Madog Evans, Senior Finance Manager

THE DECISION SOUGHT

To accept the information in the report and to note the progress towards realising the savings schemes for 2020/21, 2019/20 and previous years.

To approve the alternative schemes outlined in Section 6 and Appendix 5 to replace historical schemes which are unable to achieve.

To note that the impact of Covid19 contributed to slippage in the savings program, as the Council had given an unfettered priority to safeguarding the health and lives of the people of Gwynedd in response to the crisis, which meant that the arrangements for challenging performance and savings could not continue over the period of the crisis.

To support the intention of the Chief Executive and Head of Finance to arrange to meet each Cabinet Member with their Heads of Department, to discuss how the proposed savings procedure can be revisited, so that the Council can proceed with a proportion of the savings program despite the crisis.

1. INTRODUCTION / BACKGROUND

This report is an overview report on the Council's savings' position for 2020/21, 2019/20 and previous years.

In the Council's Financial Strategy since 2015/16, £36m worth of savings have been approved to be realised during the period 2015/16 to 2020/21. The progress against savings schemes worth £3,764,900 in 2020/21 and £5,395,030 in 2019/20 is reported upon here, along with the savings that are yet to be achieved from previous years, following a review of the position at the end of August 2020.

Realising the individual schemes is the responsibility of the relevant Cabinet members who challenge the performance of the relevant departments, including the progress of the savings schemes. It is the responsibility of the Cabinet Member for Finance to keep an overview of the full picture.

2. SAVINGS SCHEMES 2015/16 – 2018/19

- 2.1 **Appendix 1** summarises each department's attainment against the savings target that had been set for them from 2015/16 - 2018/19, **a total of nearly £27m. It is encouraging for me to be able to report that nearly £26m, or 98% of these schemes have been realised**, but there is a risk of realising the savings on a few schemes.
- 2.2 This marginal slippage mainly derives from some 2017/18 schemes, and the challenge of realising them continues.
- 2.3 As reported to the Cabinet on 28 January 2020, risks are anticipated to achieve the value of £102k of savings in two schemes of the Adults, Health and Well-being Department namely *Automate the Department's financial processes* and *Improve efficiency of field workers*.
- 2.4 Again, as reported to the Cabinet on 28 January 2020, there are substantial risks to achieve savings in the *End to End Review* scheme by the Children and Supporting Families Department, namely £250k in 2018/19 and subsequent years (£120k 2019/20, £318k 2020/21) as the scheme has been the subject of a review by revisiting the projections for the original 'End to End' model as it appears that financial savings from the scheme have been too ambitious in light of the recent change in the current climate in the field of children. A Children's Budget Taskforce has been commissioned which addresses the financial matters of the Department, including this field, but it has not convened since the beginning of the Covid19 crisis due to other priorities during the crisis period.
- 2.5 There are risks associated with delivering the rest of the savings of the *Review the current structures and locations of the Housing Department* scheme, worth £89k, namely the scheme that has been inherited by the Housing and Property Department. An alternative scheme worth £82k is being proposed to replace part of the historical scheme, which is detailed in Appendix 5 and a further alternative scheme will be required to deliver the remaining £7k of savings.

3. DEPARTMENTAL SCHEMES 2019/20

- 3.1 **Appendix 2** summarises the situation in terms of realising the savings schemes for 2019/20. Of the 122 schemes that have been profiled for the year, 102, **worth nearly £4m or 76% have been realised**. 19 schemes are either slipping or have some risks with regard to being realised, and there are two schemes which are yet to receive approval by the Cabinet.
- 3.2 The Environment Department anticipates some risks to achieving the savings for the *Increasing the number of pay and display car parks and increasing parking fees* scheme worth £38k in 2019/20. A Task Group has been set up with a view to reporting to the Communities Scrutiny Committee in April 2020. This has not been possible due to the Covid19 situation. An application has been submitted to the Welsh Government to compensate the income.

3.3 The Adults, Health and Well-being Department has a value of £799k in schemes that are slipping with some risks in achieving the savings. There was a delay with three schemes, a total value of £80k, but they are now progressing. The Department anticipates some risks to achieving the savings for two further schemes namely *Integrating and transforming Older People Services* (£510k) and *Extending the principles of the Alltwen Pilot Scheme across the service* (£134k).

Substantial risks are anticipated with delivering the savings of the *Improve efficiency of Field Workers* scheme (£75k), a decision has been made to retain the staff in order to realise further savings.

3.4 As reported above in 2.4, there are substantial risks to achieve the value of £120k in the *End to End Review* scheme by the Children and Supporting Families Department.

3.4 There are risks associated with delivering the savings of two schemes by the Highways and Municipal Department namely *Recycling Centres: charging a fee on traders* (£20k) and the *Charging a fee for the disposal of DIY materials* scheme (£100k). The Department is proposing an alternative scheme to replace the historical schemes (Section 6 of the Report and **Appendix 5**).

3.5 In general, the progress that has been made to realise the 2019/20 savings schemes is acceptable, but signs of difficulties in delivering have now been highlighted. As we are seeking to minimise the impact on Gwynedd residents by achieving efficiency savings, it is much more difficult than undertaking service cuts.

4. DEPARTMENTAL SCHEMES 2020/21

4.1 **Appendix 3** summarises the situation in terms of realising the savings schemes for 2020/21. The savings target total is £3,903,500 with worth £632k (16%) of schemes already been realised and a further £1.3m (34%) are on track to be delivered on time by the end of the financial year.

4.2 Obviously, departments have focused on responding to the crisis during the period since April 2020.

4.3 There is a slippage in the *Increasing the number of pay and display car parks and increasing parking fees* scheme by the Environment Department which is £97k in 2020/21, with a target of £38k in 2019/20 (section 3.2). Additionally, there are six schemes with a total value of £72k with some delivery risks.

4.4 Risks are anticipated to achieve the value of £50k of savings in two schemes of the Economy and Community Department. The *Neuadd Dwyfor* scheme was reported upon at the Cabinet meeting on 10 March 2020 to approve the re-profiling of the savings.

4.5 Risks are anticipated to achieve the value of £851k in four savings schemes of the Adults, Health and Well-being Department, the value of £396k in 14 schemes of the Highways and Municipal Department and two schemes worth £48k by Gwynedd Consultancy.

4.6 As already reported in section 2.4, there are problems in realising £318k of the End to End Scheme by the Children and Families Department.

4.7 As we have already anticipated a problem with achieving savings, a corporate provision was provided for the purpose in the 2020/21 budget, with £1.6 million available to mitigate the situation.

5. DEPARTMENTAL SCHEMES 2021/22 ONWARDS

5.1 2021/22 onwards savings are listed, per Department in **Appendix 4**, but it is currently premature to report on the status of these schemes.

6. REPLACING HISTORIC SCHEMES WITH ALTERNATIVE PLANS

6.1 The Highways and Municipal Department and the Housing and Property Department have historical and previously approved schemes, where they now acknowledge that it is impossible for them to be achieved. See details regarding the historical schemes, along with the alternative schemes proposed in order to replace the historical schemes in **Appendix 5**.

7. CONCLUSION

7.1 Although some departments have realised all of their savings schemes, it is inevitable that realising over £30m in savings (out of a total of £36m) since April 2015 has been challenging and I am grateful to all of the departments and Cabinet Members for ensuring this success.

7.2 The table below summarizes the value of the schemes with risks to achieve, worth almost £3.4 million in total, which proves that the problem of realising savings is becoming more apparent. As noted in part 4.7 above, a provision of £1.6 million is available to alleviate the situation.

Table 1: Schemes that have some risks to deliver on an annual basis

	2017/18	2018/19	2019/20	2020/21	Total
	£	£	£	£	£
Schemes that have some risks to deliver	191,000	250,280	1,205,070	1,928,040	3,594,390
Less: Alternative Schemes:					
Housing & Property Dept.	(89,000)				(89,000)
Highways & Municipal Dept.			(30,000)	(90,000)	(120,000)
	102,000	250,280	1,175,070	1,838,040	3,385,390

- 7.3 With other priorities to protect the health and lives of the people of Gwynedd having had to be addressed during the crisis period and therefore the absence of normal challenging of performance and savings arrangements over the period, the Chief Executive and Head of Finance will arrange to meet each Cabinet Member with their Heads of Department to discuss how they can resume the process of achieving the proposed savings, so that the Council can move forward with the savings program despite the crisis.
- 7.4 Therefore, I ask the Cabinet to note the attainment outlined in this report towards realising the savings schemes. In addition, I ask the Cabinet to approve the recommended alternative schemes by the Highways and Municipal Department and the Housing and Property Department to replace the historic schemes that they had, which were impossible to achieve. To note that the impact of Covid19 has contributed to slippage in the savings program and support the intention of the Chief Executive and Head of Finance to arrange to meet all Cabinet Members with their Heads of Department, to discuss how the process of achieving the proposed savings can be resumed, so that the Council can move forward with a proportion of the savings program despite the crisis.

Local Member's Views

Not relevant

Views of the Statutory Officers

The Monitoring Officer:

No observations 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 - Overview of 2015/16 - 2018/19 Savings Schemes per Department
- Appendix 2 - Overview of 2019/20 Savings Schemes per Department
- Appendix 3 - Overview of 2020/21 Savings Schemes per Department
- Appendix 4 - Overview of 2021/22 Onwards Savings Schemes per Department
- Appendix 5 - List of Alternative Schemes

OVERVIEW OF 2015/16 TO 2018/19 SAVINGS SCHEMES PER DEPARTMENT

Department	Total Savings	Schemes have been realised.	In the process of implementation, but has slipped.		Schemes with some risks to be achieved		Schemes yet to receive approval by the Cabinet		Observations of the Head of Finance Department
	£	£	£ - number		£ - number		£ - number		
Education	1,107,310	1,078,629	28,681	1	-	-	-	-	Slippage on the scheme ' <i>Ffordd Gwynedd – Salaries and Contracts Unit</i> '.
Schools	4,037,000	4,037,000	-	-	-	-	-	-	All schemes of the period have been achieved.
Environment	2,217,903	2,217,903	-	-	-	-	-	-	All schemes of the period have been achieved.
Corporate Support	1,707,178	1,707,178	-	-	-	-	-	-	All schemes of the period have been achieved.
Finance	1,027,256	1,027,256	-	-	-	-	-	-	All schemes of the period have been achieved.
Economy and Community	2,394,432	2,394,432	-	-	-	-	-	-	All schemes of the period have been achieved.
Adults, Health and Well-being	5,449,141	5,347,141	-	-	102,000	2	-	-	The <i>Automate the Department's financial processes</i> scheme has been partially achieved and in order to meet the deficit of £64k, there is a need to consider whether or not it is possible to deliver the saving through alternative methods. In terms of the <i>Improve efficiency of field workers</i> scheme, a total of £113k (£38k in 2017/18) with substantial risks to achieve, and a decision has been made to retain staff in order to realise further savings.

OVERVIEW OF 2015/16 TO 2018/19 SAVINGS SCHEMES PER DEPARTMENT

Department	Total Savings	Schemes have been realised.	In the process of implementation, but has slipped.		Schemes with some risks to be achieved		Schemes yet to receive approval by the Cabinet		Observations of the Head of Finance Department
	£	£	£ - number		£ - number		£ - number		
Children and Supporting Families	2,301,798	2,051,518	-		250,280	1	-		The <i>End to End</i> scheme has been the subject of a review. A change has been seen over the past few years in the types of cases and, therefore, the needs. These factors have led to an increase in the net cost on the Council. A reduction was seen in the number of nights for looked after children which are in accordance with projections until the end of 2017/18. However, since 2018/18 there has been an increase in the tendency, along with a change in the nature, of the need and, therefore, there are substantial risks with delivering 2018/19 onwards savings. A Children Budget Taskforce has been commissioned to address the financial matters of the Department which includes this field.
Highways and Municipal	5,044,250	4,932,370	26,880	1	-		85,000	1	One scheme is slipping, and an alternative scheme which includes restructuring and a CCTV scheme addresses the difference. The <i>Fleet Arrangements</i> scheme, worth £85k, is yet to receive the Cabinet's approval.
Consultancy	387,000	387,000	-				-		All schemes of the period have been achieved.
Corporate Management Team and Legal	179,070	165,270	13,800	1	-		-		There is a slippage on the <i>Savings in the Coroner's budget</i> scheme, worth £13.8k, as it is based on a projection that was made a few years ago but it has not yet taken place.
Housing and Property	246,420	157,420	-		89,000	1	-		There are risks associated with delivering the savings of the <i>Review the current structures and locations of the Housing Service</i> scheme, worth £89k. An alternative scheme is proposed in Appendix 5.
Sub-total	26,098,758	25,503,117	69,361	3	441,280	4	85,000	1	

OVERVIEW OF 2015/16 TO 2018/19 SAVINGS SCHEMES PER DEPARTMENT

Department	Total Savings	Schemes have been realised.	In the process of implementation, but has slipped.		Schemes with some risks to be achieved		Schemes yet to receive approval by the Cabinet		Observations of the Head of Finance Department
	£	£	£ - number		£ - number		£ - number		
Managerial Savings	434,960	434,960	-		-		-		All schemes of the period have been achieved.
TOTAL	26,533,718	25,938,077	69,361	3	441,280	4	85,000	1	In financial terms (£), 98% of 2015/16 – 2018/19 savings schemes have been realised.

OVERVIEW OF 2019/20 SAVINGS SCHEMES PER DEPARTMENT

Department	Total 2019/20 Savings		Schemes have been realised.		Schemes on track to be completed on time		Schemes slipping and with some risks to be achieved		Schemes yet to receive approval by the Cabinet		Observations of the Head of Finance Department
	£ - number		£ - number		£ - number		£ - number		£ - number		
Education	414,840	5	414,840	5	-		-		-		All schemes of the period have been achieved.
Environment	249,880	13	94,380	11	-		155,500	2	-		There was a slippage in the <i>Gwynedd Council Staff Travel (£118k)</i> scheme. Substantial risks are foreseen to achieve the savings of the <i>Increasing the number of pay and display car parks and increasing parking fees</i> scheme, worth £37.5k in 2019/20.
Corporate Support	405,450	13	375,450	12	-		-		30,000	1	The savings schemes profiled for 2019/20 have already been realised with the <i>Merging the Learning and Development Unit and the Workforce Development Unit</i> scheme, worth £30k, yet to receive approval by the Cabinet.
Finance	558,650	19	554,900	18	-		3,750	1	-		<i>The Electronic Payslips for All Scheme</i> worth £3.75k, was progressing.
Economy and Community	318,580	12	276,080	9	-		42,500	3	-		A range of the Department's schemes has been realised. The remaining three, namely two schemes involved with parking (<i>Reconciling fees for new sites, establishing fees in Dinas Dinlle (2020/21) and also Reviewing fees and arrangements in Storiell</i>), and <i>Cutting one post from the Tourism and Marketing Service</i> are all progressing.
Adults, Health and Well-being	1,465,000	15 *	666,500	9	-		798,500	6	-		There was a delay with one scheme namely <i>Increase income and reduce other costs</i> (£30k), but it is now progressing. The Department anticipates some risks to achieving the savings for four schemes namely <i>Integrating and transforming Older People Services</i> (£510k), <i>Extending the principles of the Alltwen Pilot Scheme across the service</i> (£133.5k), <i>Collaborating with the third sector to secure a new day care provider in Cricieth and Blaenau Ffestiniog</i> (£25k) and <i>Review physical disabilities' packages by meeting objectives in an alternative way</i> (£25k). Also, there are substantial risks to achieve the savings of the <i>Improve efficiency of Field Workers</i> scheme (£75k).

OVERVIEW OF 2019/20 SAVINGS SCHEMES PER DEPARTMENT

Department	Total 2019/20 Savings		Schemes have been realised.		Schemes on track to be completed on time		Schemes slipping and with some risks to be achieved		Schemes yet to receive approval by the Cabinet		Observations of the Head of Finance Department
	£ - number		£ - number		£ - number		£ - number		£ - number		
Children and Supporting Families	272,790	9	152,970	8	-		119,820	1	-		The savings schemes profiled for 2019/20 have already been realised but the <i>End to End Scheme</i> is slipping, see point 2.5 in the Report.
Highways and Municipal	301,350	13	168,350	7	-		85,000	5	48,000	1	The Department anticipates a risk to achieving the savings for three schemes namely <i>Increasing street enforcement income by fining more individuals who drop litter</i> , <i>Increasing fees for collecting waste from businesses</i> and the <i>Cilgwyn Closure Scheme</i> . There are two further schemes that are unable to realise their savings and the Department is eager to receive approval for an alternative scheme (Appendix 5). The <i>Fleet Arrangements</i> scheme, worth £48k, is yet to receive approval by the Cabinet.
Consumancy	126,500	7	126,500	7	-		-		-		All schemes of the period have been achieved.
Corporate Management Team and Legal	188,310	8	188,310	8	-		-		-		All schemes of the period have been achieved.
Housing and Property	189,680	5	189,680	5	-		-		-		All schemes of the period have been achieved.
Managerial Savings	765,400	3	765,400	3	-		-		-		All schemes of the period have been achieved.
TOTAL	5,256,430	122	3,973,360	102	0	0	1,205,070	18	78,000	2	In financial terms (£), 76% of 2019/20 savings schemes have already been realised.

* scheme partially realised in one financial year but yet to be realised in full.

OVERVIEW OF 2020/21 SAVINGS SCHEMES

Department	Total 2020/21 Savings		Schemes have been realised.		Schemes on track to be completed on time		Schemes slipping and with some risks to be achieved		Observations of the Head of Finance Department
	£ - number		£ - number		£ - number		£ - number		
Education	367,210	6 *	0		367,210	6	0		The savings on track to be delivered on time.
Environment	283,430	21	5,000	1	106,310	11	172,120	9	A range of schemes has been realised or is on track to be realised in full and on time. The Department anticipates risks to deliver the <i>Increasing the number of pay and display car parks and increasing parking fees scheme</i> , worth £37.5k. There was a slippage in the <i>Gwynedd Council Staff Travel scheme</i> , worth £118k. 7 small schemes are slipping.
Corporate Support	256,840	12	61,340	5	195,500	7	-		5 schemes have been realised and 7 are on track to be delivered in full and on time.
Finance	170,730	11	58,930	5	111,800	6			5 schemes have been realised and 6 are on track to be delivered in full and on time.
Economy and Community	208,410	19	70,910	12	20,000	1	117,500	6	A range of schemes have been realised or are on track to realise in full and on time. The remaining schemes, namely three schemes involved with parking and <i>Cutting one post from the Tourism and Marketing Service</i> scheme, are progressing. There is a possibility that the scheme <i>Reduce the subsidy for the Byw'n Iach Leisure Company by 20%</i> , will slip in light of the disruption of the Covid19 situation. The <i>Neuadd Dwyfor</i> scheme was reported upon at the Cabinet meeting on 10 March 2020 to approve the re-profiling of the scheme and to release a capital investment from the Transformation Fund to realise the savings.

APPENDIX 3

Adults, Health and Well-being	1,085,520	12	*	179,410	6	55,000	2	851,110	4	There was a delay with two schemes (a total of £199k), but they are now progressing. The Department anticipates some risks to achieving the savings for four schemes namely <i>Extending the principles of the Alltwen Pilot Scheme across the service</i> (£400k), <i>Collaborating with the third sector to secure a new provider to take over the day care provision in Cricieth and Blaenau Ffestiniog</i> (£75k), <i>Review physical disabilities' packages by meeting objectives in an alternative way</i> (£75k) and <i>Review the operational arrangements within the Adults Department</i> (£135k). Also, there are substantial risks to achieve the savings of the <i>Developing 3 other Extra Care Housing projects in Gwynedd (Pwllheli, Ffestiniog, South Meirionnydd Areas)</i> , (£300k).
Children and Supporting Families	409,310	5	*	-	-	91,250	4	318,060	1	4 schemes are on track to be realised in full and on time but as reported in the appendices from previous years the <i>End to End Scheme</i> is slipping.
Highways and Municipal	791,940	25		198,690	9	197,000	2	396,250	14	The Department anticipates a risk to achieving the savings for 12 schemes which includes 4 schemes with substantial risks namely <i>Transferring Playing Fields to others</i> , <i>Rationalising Fleet workshops from 3 to 2 in the County</i> , <i>Increasing street enforcement income</i> and <i>Changing waste collection working arrangements to shorter shifts and circuits</i> . There are two schemes that are unable to realise their savings and this Report is seeking approval to an alternative scheme (Appendix 4).
Consultancy	89,170	5		41,170	3	-	-	48,000	2	There was a delay with two schemes involved with increasing income but the Covid situation has affected the income in the first months of the financial year. The Department hopes there will be an increase over the coming months but there is no certainty at present.
Corporate Management Team and Legal	35,860	10		16,800	7	19,060	3	-	-	7 schemes have been realised and 3 are on track to be delivered in full and on time.

APPENDIX 3

Housing and Property	205,080	8	-	180,080	7	25,000	1	There were risks associated with delivering the <i>Reducing the dependency on temporary accommodation by investing in purpose built accommodation</i> scheme due to the Covid-19 situation but the work is progressing.
Managerial Savings	-	0	-	-	-	-	-	
TOTAL	3,903,500	134	632,250	1,343,210	49	1,928,040	37	In financial terms (£), 16% of 2020/21 savings schemes have already been realised and a further 34% are on track to be delivered on time by the end of the financial year. Obviously, departments have focused on responding to the crisis during the period since April 2020.

APPENDIX 4

OVERVIEW OF 2021/22 ONWARDS SAVINGS SCHEMES PER DEPARTMENT

Department	Total 2021/22 onwards Savings	
	£ - number	
Education	65,000	1
Environment	86,250	4
Corporate Support	217,750	4
Finance	125,000	3
Economy and Community	230,000	2
Adults, Health and Well-being	378,750	4
Children and Supporting Families	787,210	2
Highways and Municipal	798,750	7
Consultancy	-	
Corporate Management Team and Legal	-	
Housing and Property	151,260	4
Managerial Savings	-	
TOTAL	2,839,970	31

Historic Schemes which will not achieve savings - Highways and Municipal

Sum £	Savings Scheme
£20,000	Recycling Centres - charging a fee on traders
£100,000	Charging a fee for the disposal of DIY materials (e.g. £3 per bag of rubble or £30 for a full trailer)

Alternative Scheme to replace the Historic Schemes - Highways and Municipal

Sum £	Proposals
£120,000	Recycling Centres - changing operational arrangements

Historic Schemes which will not achieve savings - Housing and Property

Sum £	Savings Scheme
£89,000	Review the current structures and locations of the Housing Service
£41k of the total scheme (£130k) has been realised and the Department has identified an alternative scheme worth £82k below and will need to find a further scheme to achieve the remaining £7k savings.	

Alternative Scheme to replace the Historic Schemes - Housing and Property

Sum £	Proposals
£82,000	Energy savings - change agreement

Agenda Item 10

MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: 15 OCTOBER 2020

**TITLE: REVENUE BUDGET 2020/21 –
END OF AUGUST 2020 REVIEW**

PURPOSE: Monitoring Report on the Latest Financial Position

ACTION: Receive the information, consider the risks arising from the forecast expenditure against the budget, and scrutinise the Cabinet’s decisions regarding budget management by the Council and its departments.

CABINET MEMBER: COUNCILLOR IOAN THOMAS

CONTACT OFFICER: FFION MADOG EVANS, SENIOR FINANCE MANAGER

1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit and Governance Committee is expected to scrutinise some financial matters, including budget monitoring reports, as appropriate.
2. The attached report (Revenue Budget 2020/21 – End of August 2020 Review) was submitted to the Cabinet on 13 October 2020.
3. The Cabinet Member for Finance and the Chairman of the Audit and Governance Committee have asked us to present this report to the Audit and Governance Committee to be scrutinised.
4. The Audit and Governance Committee is requested to note the situation and the relevant risks regarding the budgets of the Council and its departments, consider the Cabinet’s decisions and comment as necessary.

Appendices:

Cabinet report 13/10/2020: Revenue Budget 2020/21 – End of August 2020 Review

REPORT TO THE CABINET

13 OCTOBER 2020

Cabinet Member: Councillor Ioan Thomas, Cabinet Member – Finance

Subject: Revenue Budget 2020/21 - End of August 2020 Review

Contact officer: Ffion Madog Evans, Senior Finance Manager

1. Decision sought

The Cabinet is requested to:

- Accept the report on the end of August 2020 review of the Revenue Budget, and consider the latest financial situation regarding the budgets of each department/service.
- Note the financial impact of Covid19, which is a combination of additional costs, income losses and slippage in the savings programme, as the Council has given unfettered priority to protecting the health and lives of the people of Gwynedd in response to the crisis, and this has meant that it has not been possible to continue with the performance and savings challenge arrangements over the period of the crisis.
- Support the intention of the Chief Executive and Head of Finance to arrange to meet all Cabinet Members with their Heads of Department, to discuss how the delivery of the proposed savings can be re-addressed, so that the Council can move forward with a proportion of the savings programme despite the crisis.
- 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 commissioned work to obtain a better understanding and a clear response programme.
- Note that the Children's Budget Taskforce has been commissioned by the Chief Executive to address serious financial matters within the Children and Families Department so that it is possible to get to the root of the Department's overspend, with the intention of submitting a report to the Cabinet that will detail the response plan.
- Approve the following recommendations and virements (as outlined in **Appendix 2**).

- On Corporate budgets, that:
 - (£250k) relating to capital costs has been transferred to a capital programme fund.
 - the net underspend of (£1,127k) on Corporate budgets will go to the Council's general balances to assist in facing the financial challenge ahead of the Council, especially in light of the Covid19 emergency.
- Grants received from the Government to compensate for additional expenditure and loss of income in relation to the Covid19 emergency will be allocated to the relevant departments in accordance with what is noted in **Appendix 1**.

2. Introduction / Background

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

This end of August report is presented on the latest review of the Council's revenue budget for 2020/21, and a summary of the situation per Department is outlined in **Appendix 1**.

In **Appendix 2**, further details are provided relating to the main issues and the budget headings where significant variances are anticipated, along with specific recommendations where appropriate.

3. Covid19

As we already reported to the Cabinet on 19 May 2020, the financial impact of the Covid19 emergency is substantial to the Council, with a combination of additional costs along with loss of income.

Welsh Government established a hardship fund of up to £264 million towards compensating for costs and loss of income incurred by Local Authorities. In Gwynedd, monthly applications to a value of over £4.5 million have been submitted by the Accountants to Welsh Government, in order to compensate the Council for the additional expenditure up to the end of August, with funding of £3.6 million having already been received.

In terms of the loss of income, the application for the first quarter of the financial year was worth almost £3.7 million, with £3.3 million having already been received from Welsh Government. See the details in **Appendix 3**.

The impact of the additional costs and loss of income seen by departments is included in **Appendices 1 and 2**, the departmental over/underspend being reported with and without the Government grant support.

4. The Savings Situation

As we have warned in each report since the end of August 2019 (15 October 2019 Cabinet), realising savings has become more difficult, with clear signs now showing that there is difficulty realising savings in certain fields. Attempting to reduce the repercussions for the people of Gwynedd by achieving efficiency savings, is proving far more difficult than undertaking service cuts.

As we have already anticipated a problem with achieving savings, a corporate provision was provided for the purpose in the 2020/21 budget, with £1.6 million available to mitigate the situation.

With other priorities to protect the health and lives of the people of Gwynedd having been addressed over the period of the crisis and therefore the absence of normal arrangements to challenge performance and savings over the period, the Chief Executive and Head of Finance will arrange a meeting with all Cabinet Members with their Heads of Department to discuss how the task of achieving the savings can be resumed, so that the Council can move forward with the savings programme despite the crisis.

5. Council Departments

What is very clear this year is the substantial pressure facing the field of care and the field of waste. The main issues are as follows:

5.1 Adults, Health and Well-being Department

The impact of Covid19 has had a significant repercussion on the Adults, Health and Well-being department this year, with £2.2 million spent up to the end of August, and £1.722 million having already been received from Welsh Government towards the relevant additional costs up to the end of July. Before considering the impact of Covid19, an overspend of £1.886 million is anticipated for this year, with a failure to realise savings worth £1.751 million being a contributory factor to the situation.

This year, the department received bids to a value of over £1.8 million to address the increasing pressure on the 2020/21 budget, including for the fields of Learning Disabilities, Residential Care in the Provider Unit, and Older People's Residential and Nursing Care.

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.

5.2 Children and Families Department

Although almost £2 million of additional funding was allocated to the Children and Families Department in 2020/21 to meet the increasing pressures, an overspend of £2.8 million is anticipated for the Department. The failure to realise £688k of savings is a matter that continues to require a solution.

The latest statistics confirm that there has been a further increase in demand for services, especially in the fields of placements and Post-16. Although the situation of overspend in the children field is not unique to Gwynedd, as it is a picture seen across authorities, the situation is a cause for concern.

5.3 Highways and Municipal Department

The municipal field continues to overspend substantially, with overspend problems in the field of waste collection and disposal. The department has faced additional costs relating to complying with regulations because of Covid-19 but it is hoped that the Welsh Government will compensate us for the additional costs.

5.4 Corporate

There are favourable forecasts of additional Council Tax yield. Despite an increase in the number claiming Council Tax Reductions during the first quarter of 2020/21, the demand has been low over the past four years, creating underspend. There is a net underspend on corporate budgets that includes capital costs, returned bids, and savings realised beforehand.

6. Next steps and timetable

This year, failure to realise savings together with Covid19 financial impact is very evident on the figures. The Accountants will continue to claim for the additional costs and the relevant income losses to Covid19 from the Welsh Government.

To act on the recommendations submitted and present a follow-up report to the Cabinet on 19 January 2021 regarding the situation at the end of November 2020.

Local member's views

Not relevant

Views of the statutory officers**The Monitoring Officer:**

Nothing to add regarding propriety.

Head of Finance:

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

Appendices

Appendix 1 - Summary of the situation per Department

Appendix 2 - Details of budgets and the significant variances

Appendix 3 - Government Grant in light of the Covid19 emergency

Revenue Budget 2020/21 – Summary of the situation per Department

	End of August Review				COVID-19 Emergency		2019/20 Final Position
	Proposed Budget 2020/21	Estimated Gross Over / (Under) Spend 2020/21	Recommended Adjustments	Estimated Adjusted Over / Under Spend 2020/21	Allocation of Grant Receipts from the Welsh Government to Departments to compensate expenditure/loss of income	Estimated Adjusted Over / Under Spend 2020/21	
	£'000	£ '000	£'000	£ '000	£ '000	£ '000	£ '000
Adults, Health and Well-being	53,770	3,608	0	3,608	(1,722)	1,886	0
Children and Families	16,724	2,847	0	2,847	(68)	2,779	100
Education	95,045	(81)	0	(81)	(230)	(311)	(96)
Economy and Community	4,953	628	0	628	(475)	153	67
Highways and Municipal	25,223	1,325	0	1,325	(488)	837	100
Environment	3,702	1,180	0	1,180	(876)	304	(85)
Gwynedd Consultancy	(122)	102	0	102	0	102	(26)
Housing and Property	5,474	594	0	594	(237)	357	83
Corporate Management Team and Legal	1,764	(31)	0	(31)	0	(31)	(50)
Finance (and Information Technology)	6,649	(85)	0	(85)	0	(85)	(70)
Corporate Support	7,286	72	0	72	(21)	51	(100)
Corporate Budgets <i>(Variances only)</i>	*	(3,021)	1,377	(1,644)	(422)	(2,066)	0
Totals (net)	220,468	7,138	1,377	8,515	(4,539)	3,976	(77)

REVENUE BUDGET 2020/21 - END OF AUGUST REVIEW

Adults, Health and Well-being Department	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Net Over/(Under) Spend Final Position 2019/20
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adults Services</u>						
Older People's Services						
Residential and Nursing - Homes	15,077	15,613	536	0	536	(607)
Domiciliary Care	7,100	6,925	(175)	0	(175)	(869)
Others	(249)	965	1,214	0	1,214	1,132
	21,928	23,503	1,575	0	1,575	(344)
Physical Disabilities Services	2,374	2,352	(22)	0	(22)	(122)
Learning Disabilities Services	19,568	19,370	(198)	0	(198)	444
Mental Health Services	3,554	3,424	(130)	0	(130)	(147)
Other Services (Adults)	3,095	3,063	(32)	0	(32)	(48)
<u>Adults Services Total</u>	50,519	51,712	1,193	0	1,193	(217)
<u>Provider Services (shows net budget)</u>						
Residential Care	105	409	304	0	304	(67)
Day Care	15	255	240	0	240	339
Community Care	69	655	586	0	586	397
Others	22	65	43	0	43	(43)
<u>Provider Services Total</u>	211	1,384	1,173	0	1,173	626

REVENUE BUDGET 2020/21 - END OF AUGUST REVIEW						
Adults, Health and Well-being Department	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Net Over/(Under) Spend Final Position 2019/20
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Other Services						
Departmental Central Services (<i>including Department savings</i>)	3,040	3,422	382	0	382	11
Covid-19 expenditure in the Adults Care field			860		860	
Use of specific reserve						(420)
Other Services Total	3,040	3,422	1,242	0	1,242	(409)
Adults, Health and Well-being Total	53,770	56,518	3,608	0	3,608	0
<i>Grant Receipts from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 emergency</i>				(1,722)	(1,722)	
Adults, Health and Well-being Adjusted Total					1,886	

Adults, Health and Well-being

Older People's Services - pressure on the residential and nursing care provision, with numbers considerably higher than the level two years ago. The impact of Covid-19 contributed to a reduction in the demand for domiciliary care packages. Failure to realise £1,144k worth of savings under the 'Others' heading and an overspend of £363k on Supported Accommodation, with the costs of the Hafod y Gest scheme responsible for a substantial proportion of the relevant overspend.

Learning Disabilities Services - Underspend on residential and nursing and the impact of Covid-19 contributed to additional expenditure by the service, but also to a reduction in the demand for support plans this year.

Mental Health Services - less pressure on the support plan provision along with staff turnover.

Provider Services - additional costs associated with Covid-19 are responsible for the overspend anticipated for Residential Care. Staffing above budget level is a matter within Day and Community Care, and on top of this, a reduction in Community Care income, partly due to Covid-19.

Departmental Central Services - receipt of a grant and income and reducing expenditure reduced the impact of the slippage in realising £563k worth of savings schemes.

The impact of Covid-19 has had a significant repercussion on the Adults, Health and Well-being department this year, with £2.2 million spent up to the end of August, and £1.722 million having already been received from Welsh Government towards the relevant additional costs up to the end of July. Before considering the impact of Covid-19, an overspend of £1.886 million is anticipated for this year, with a failure to realise savings worth £1.751 million being a contributory factor to the situation.

This year, the department received bids to a value of over £1.8 million to address the increasing pressure on the 2020/21 budget, including for the fields of Learning Disabilities, Residential Care in the Provider Unit, and Older People's Residential and Nursing Care.

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 2020/21 - END OF AUGUST REVIEW						
Children and Families Department	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Net Over/(Under) Spend Final Position 2019/20
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Service Management	590	584	(6)	0	(6)	(18)
Operational	2,101	2,170	69	0	69	153
Placements						
Out-of-County Placements	2,965	4,556	1,591	0	1,591	1,624
Fostering through an Agency	1,179	1,626	447	0	447	501
Fostering – Internal	2,161	2,535	374	0	374	588
Support Services and Others	1,825	1,784	(41)	0	(41)	113
	8,130	10,501	2,371	0	2,371	2,826
Post-16	1,054	1,468	414	0	414	260
Specialist/Derwen	1,819	2,088	269	0	269	357
Youth Justice	253	215	(38)	0	(38)	(78)
Early Years	158	106	(52)	0	(52)	(74)
Youth	898	734	(164)	0	(164)	(136)
Others	1,721	1,705	(16)	0	(16)	69
Adjustment - Closure of 2019/20 Accounts						(3,259)
Children and Families Total	16,724	19,571	2,847	0	2,847	100
Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 emergency				(68)	(68)	
Children and Families Adjusted Total					2,779	

Children and Families

Operational - the overspend on staff costs, with £50k of this as a result of employing additional temporary workers to respond to the Covid-19 emergency.

Placements - despite additional funding of £1.8m having been allocated to this field for 2020/21 in order to meet the increasing pressure, the overspend continues, with an anticipated overspend of £2.4m by the end of the financial year. Within the heading, there are savings to the value of £688k which are yet to be realised and which now look unlikely to be realised.

The demand for the range of services is further intensifying, with the majority of the overspend deriving from five new out-of-county placements this year, along with the impact of a full year of seven cases that commenced during 2019/20, with the average number of placements having increased to 21.6 from 18.1 for 2019/20. Fostering through an agency: three new cases this year and the impact of a full year of 12 cases that commenced in 2019/20. Overspend deriving from the impact of an increase in the number of internal fostering placements last year (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 costs.

Post-16 - this year's high initial support costs derive from three cases opened since the start of the financial year, along with the full year impact of two cases from last year.

Specialist/Derwen - the impact of the increased demand for support schemes and specialist support over the past years is responsible for the overspend, but this has been reduced by underspend on travel costs as a result of Covid-19 restrictions.

Early Years – the use of grants funded core expenditure, with the receipt of grants in the childcare field responsible for the underspend.

Youth – the receipt of grants was higher against core expenditure for this year, along with underspend following the remodelling of the service.

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.

Up to the end of August, the Department has faced additional costs to the value of £68k as a result of Covid-19, which has been reflected in the figures above.

REVENUE BUDGET 2020/21 - END OF AUGUST REVIEW						
Education Department	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Net Over/(Under) Spend Final Position 2019/20
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Devolved Schools	80,455	80,455	0	0	0	0
Secondary School Meals Income (Devolved)	0	230	230	0	230	0
Schools Quality Services	(541)	(760)	(219)	0	(219)	(406)
Infrastructure and Support Services			0			
Transport	4,906	4,457	(449)	0	(449)	158
Ancillary Services	500	1,034	534	0	534	356
Others	2,912	2,771	(141)	0	(141)	(167)
	8,318	8,262	(56)	0	(56)	347
Leadership and Management	2,276	2,216	(60)	0	(60)	(49)
Additional Learning Needs and Inclusion	4,537	4,561	24	0	24	12
Education Total	95,045	94,964	(81)	0	(81)	(96)
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 emergency</i>				(230)	(230)	
Education Adjusted Total					(311)	

Education

Secondary School Meals Income - loss of income from school meals as a result of the Covid-19 emergency, for which an application has been made for compensation from Welsh Government.

Schools Quality Services - a combination of receiving grants, staff turnover, reducing expenditure and a drop in demand for certain budgets over the lockdown period is responsible for the underspend anticipated.

Transport - contrary to the usual trend of overspending, an underspend of (£449k) is anticipated for transport this year following the closure of schools over the summer term; this includes underspend of (£392k) on school buses and (£134k) on taxi and train transportation, but is reduced by a deficit of £77k in Post-16 Transport ticket sales during the lockdown period..

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 - loss of income from school meals and the care element of the breakfast clubs as a result of the emergency, along with an increase in the numbers who claim free school lunches. Furthermore, there was additional expenditure on school cleaning due to requirements associated with Covid-19.

Infrastructure and Support Services - Others - reduced demand on various budgets, especially during lockdown.

Leadership and Management - receipt of grant funding and underspend on various headings within the budget.

REVENUE BUDGET 2020/21 - END OF AUGUST REVIEW						
Economy and Community Department	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Net Over/(Under) Spend Final Position 2019/20
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Management	356	350	(6)	0	(6)	3
Community Regeneration and Support Programmes	367	367	0	0	0	10
Maritime and Country Parks	16	663	647	0	647	9
Leisure Contracts	1,502	1,468	(34)	0	(34)	79
Sports Programmes	59	33	(26)	0	(26)	(60)
Economic Development Programmes	(83)	(83)	0	0	0	(26)
Marketing and Events	260	265	5	0	5	0
Gwynedd Libraries	1,618	1,531	(87)	0	(87)	(7)
Gwynedd Museums, Arts and Archives	858	987	129	0	129	59
<u>Economy and Community Total</u>	4,953	5,581	628	0	628	67
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 emergency</i>				(475)	(475)	
<u>Economy and Community Adjusted Total</u>					153	

Economy and Community

Maritime and Country Parks - a loss of income as a result of the Covid-19 emergency has had a significant impact on this field, contributing to an overspend of £547k on Maritime and £100k on Country Parks. The most evident loss of income is to be seen at Hafan, Pwllheli, with a projected deficit of £433k. A combination of a notable increase in visitor numbers to beaches following the lockdown period and good weather extending the season in September means that the anticipated loss of income is lower than expected.

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. With the centres having been closed for part of the year as a result of Covid-19, a one-off reduction in the leisure centres' running costs is anticipated for this year.

Gwynedd Libraries - a number of vacant posts and a reduction in expenditure while the libraries were closed over the lockdown period.

Museums, Arts and Gwynedd Archives - problems continue in Storiol with a predicted deficit of £86k by the end of the financial year, which is a combination of overspend in staff costs and income deficit. The work of renovating Neuadd Dwyfor has commenced and as a result there is no way of generating income this year, while the impact of Covid-19 has led to a loss of income at the Lloyd George Museum. Expenditure cuts have led to underspend by the Arts.

REVENUE BUDGET 2020/21 - END OF AUGUST REVIEW						
Highways and Municipal Department (including Trunk roads)	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Net Over/(Under) Spend Final Position 2019/20
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Highways Services (including Trunk roads)	9,941	9,882	(59)	0	(59)	(54)
Engineering Services	383	447	64	0	64	(12)
Municipal Services						
Waste	11,022	11,688	666	0	666	851
Others	3,877	4,531	654	0	654	(238)
Adjustment - Closure of 2019/20 Accounts						(447)
Highways and Municipal Total	25,223	26,548	1,325	0	1,325	100
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 emergency</i>				(488)	(488)	
<u>Highways and Municipal Adjusted Total</u>					837	

Highways and Municipal (including Trunk roads)

Highways Services - Covid-19 restrictions during the early months of the year have caused underspend on the roadworks budget for this year; vacant posts and underspend on various headings also contributed to the anticipated underspend situation.

Engineering Services - a delay in realising the savings scheme, but discussions are ongoing to find a solution.

Waste - a number of matters are responsible for the overspend anticipated, but the overspend has mainly gone on waste and recycling collection. 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, this being pushed back to March 2021; there were therefore transitional costs associated with staffing and sickness costs this year.

The service faced additional costs and loss of income as a result of Covid-19, and a significant reduction was also seen in the prices received for selling recycling materials, which has halved since last year's levels. The trend of failing to realise savings also continues.

Other Municipal Services - the effects of Covid-19 have also led to loss of income, including within the commercial waste field, as businesses were closed during the lockdown period. Additional requirements and changes to working arrangements in order to comply with Covid-19 regulations and social distancing have caused additional costs. A failure to realise savings also contributes to the situation.

REVENUE BUDGET 2020/21 - END OF AUGUST REVIEW						
Environment Department	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Net Over/(Under) Spend Final Position 2019/20
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Department Management	419	331	(88)	0	(88)	(58)
Planning and Building Control Service	415	563	148	0	148	34
Street Works and Transport Services			0			
Network Management (Transport)	711	565	(146)	0	(146)	(236)
Parking and Parking Enforcement	(1,786)	(798)	988	0	988	116
Integrated Transport	1,685	1,978	293	0	293	(29)
	610	1,745	1,135	0	1,135	(149)
Countryside and Access	654	641	(13)	0	(13)	33
Public Protection	1,604	1,602	(2)	0	(2)	(15)
Adjustment - Closure of 2019/20 Accounts						70
<u>Environment Total</u>	3,702	4,882	1,180	0	1,180	(85)
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 emergency</i>				(876)	(876)	
<u>Environment Adjusted Total</u>					304	

Environment

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

Planning and Building Control Service - the general trend of income loss continues again this year, though mitigated somewhat by staff underspend and lower spending on various budgets including statutory notices and appeals.

Street Works and Transport Services

Network Management (Transport) - a combination of vacant posts, underspend on a number of budget headings including works including the Forward Planning field, but a loss of income from streetworks fees.

Parking and Parking Enforcement - the significant impact of Covid-19 restrictions is responsible for an £886k loss of parking income over just the first quarter of the financial year; Welsh Government has already compensated the Council for this loss. Further losses of income are anticipated for the remainder of the year, but these are reduced by underspend on various budgets.

Integrated Transport - overspend on public bus contracts; although the department is in the process of conducting a review of public transport, with the University already having been commissioned to review the provision, this has been delayed due to the Covid-19 emergency.

REVENUE BUDGET 2020/21 - END OF AUGUST REVIEW

Consultancy Department	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Net Over/(Under) Spend Final Position 2019/20
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Roads and Engineering Services	(705)	(639)	66	0	66	29
Sustainable Urban Drainage Systems Unit (SuDS)	2	2	0	0	0	0
Flood Risk Management Unit	596	596	0	0	0	(3)
Building Service	(15)	21	36	0	36	(52)
Consultancy Total	(122)	(20)	102	0	102	(26)
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 emergency</i>				0	0	
Consultancy Adjusted Total					102	

Consultancy

Roads and Engineering Services - the income from the first months of the financial year was hindered due to the impact of Covid-19; an application to compensate the net income loss of £140k has been made to Welsh Government, which is yet to be approved. The service continues to apply for work and therefore attracts further income on various schemes by external organisations, such as other councils and Welsh Government.

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

REVENUE BUDGET 2020/21 - END OF AUGUST REVIEW

Housing and Property Department	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Net Over/(Under) Spend Final Position 2019/20
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Management	381	401	20	0	20	74
Housing Services			0			
Homelessness	1,161	1,851	690	0	690	251
Private Sector Housing	417	387	(30)	0	(30)	(87)
Others	355	304	(51)	0	(51)	(42)
	1,933	2,542	609	0	609	122
Property Services						
Property	3,158	3,146	(12)	0	(12)	(89)
Care-taking, Catering and Cleaning	2	(21)	(23)	0	(23)	(24)
	3,160	3,125	(35)	0	(35)	(113)
Housing and Property Total	5,474	6,068	594	0	594	83
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 emergency</i>				(237)	(237)	
<i>Housing and Property Adjusted Total</i>					357	

Housing and Property

Management - A Savings Scheme which is yet to be realised is mainly responsible for the overspend, but this is reduced by underspend on other headings.

Housing Services - significant pressure on the Temporary Accommodation budget in terms of Homelessness, with a substantial proportion of this as a result of the emergency and the need to take homeless people off the street. It is anticipated that it will be possible for the Council to be compensated by Welsh Government for this additional expenditure. Underspend on staff costs in the Homelessness Unit and Private Sector Housing and underspend in the Gypsies and Travellers field under 'Others', which helps mitigate the 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 2020/21 - END OF AUGUST REVIEW						
Central Departments	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Net Over/(Under) Spend Final Position 2019/20
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team and Legal	1,764	1,733	(31)	0	(31)	(50)
Finance (and Information Technology)	6,649	6,564	(85)	0	(85)	(70)
Corporate Support	7,286	7,358	72	0	72	(100)
Central Departments Total	15,699	15,655	(44)	0	(44)	(220)
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 emergency</i>						
<i>Finance (and Information Technology)</i>				<i>0</i>	<i>0</i>	
<i>Corporate Support</i>				<i>(21)</i>	<i>(21)</i>	
Central Departments Adjusted Total					(65)	

Central Departments

Corporate Management Team & Legal - the latest projections suggest an underspend of (£31k), with a portion of the underspend on the vacant Corporate Director post being diverted to fund improved well-being provision in Council offices. The impact of the emergency has led to a reduction in the income received by the Legal Unit.

Finance (and Information Technology) – combination of reasons responsible for the underspend, including one-off underspend due to vacant posts, secondments and income received in several fields. Additional costs were incurred by the department as a result of the emergency in terms of business grant administration and also in the information technology field.

Corporate Support - Covid-19 restrictions leading to loss of income is responsible for the projected overspend of £72k, including an loss of income of £80k in the field of marriage registration and £7k on passport interviews during the first quarter of the financial year. The impact of Covid-19 has also had negative implications for the internal income of the Printroom, with a deficit of £135k anticipated by the end of the financial year. Underspend on posts, services and provisions across the department is helping the situation.

REVENUE BUDGET 2020/21 - END OF AUGUST REVIEW						
Corporate (Reflects variances only)	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Net Over/(Under) Spend Final Position 2019/20
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	*	*	(441)	441	0	(495)
Council Tax Reductions	*	*	(297)	297	0	(183)
Capital Costs	*	*	(250)	250	0	0
Interest Received			300		300	0
Provision for realising corporate savings	*	*	(1,644)		(1,644)	0
Others including Budgets and Bids returned by Departments	*	*	(689)	389	(300)	(334)
Adjustment - Closure of 2019/20 Accounts						1,012
Corporate Total	*	*	(3,021)	1,377	(1,644)	0
<i>Grant returns from Welsh Government not required by the departments</i>				(422)	(422)	
Corporate Adjusted Total					(2,066)	

Corporate

Council Tax and Council Tax Premium - in light of the Covid-19 emergency and therefore in order to avoid possible financial hardship, all recovery actions on unpaid Council Tax bills were suspended for three months until the start of July; at present, therefore, we anticipate a favourable situation of additional tax to the value of (£441k) on Council Tax. The Council has planned to receive £2.7m of Council Tax Premium during 2020/21, which is to be allocated to be considered for the Housing Strategy.

Council Tax Reductions - An underspend of (£297k) is anticipated following a trend of annual reduction in the number of applications to the Council Tax Reductions (Benefits) scheme over the past four years, with the 2019/20 figures at their lowest across North and Mid-Wales Councils; an increase of 4% was seen in the numbers for Gwynedd in the first quarter of 2020/21 following the Covid-19 emergency.

Capital costs - current treasury management policy means that external borrowing can be avoided, creating underspend against the capital costs budget. It is recommended that the underspend should be diverted to a fund, which should be used to assist in funding the capital programme.

Interest Received - following the impact of Covid-19 on the financial markets, a reduction in the expected interest received is anticipated.

Provision for realising corporate savings - following the failure of certain departments to realise savings in some fields, a corporate provision has been set up for the purpose, which is available for appropriate distribution.

Others including Budgets and Bids returned by Departments - Returning parts of bids following grant returns, one-off savings of a corporate nature and pressure across a number of budgets not as much as anticipated and, therefore, underspending this year.

It is recommended that (250k) relating to capital costs should be allocated to a capital programme fund, with the remainder of the net underspend on Corporate budgets, a sum of (£1,127k) being transferred to the Council's balances to assist in addressing the financial challenge facing the Council, especially in light of the Covid-19 emergency.

Government Grant in light of the Covid-19 emergency

		Welsh Government Hardship Fund						Furlough					
		Compensation for Additional Expenditure		Compensation for Loss of Income				Contribution Towards Wages					
Month	Claim	Application Value	Grant Received	Claim	Application Value	Predicted Application Value	Grant Received	Claim	Application Value		Grant Received		
		£	£		£	£	£		£	Byw'n lach	Rest of Council	Byw'n lach	Rest Of Council
		£	£		£	£	£		£	£	£	£	£
March	1	20,240	20,240	1	3,675,000		3,271,000	1	133,138	4,930	133,138	4,930	
April	2	508,160	425,230					2		12,280		12,280	
May	3	903,950	886,570					3	119,329	30,800	119,329	30,800	
June	4	1,117,880	1,068,490					4	124,191	31,670	124,191	31,670	
July	5	1,170,880	1,164,640	2		2,096,000		5	128,011	25,770	128,011	25,770	
August	6	829,560											
September													
TOTAL		4,550,670	3,565,170		3,675,000	2,096,000	3,271,000		504,669	105,450	504,669	105,450	

Overview of all applications:

	Claim Value £	Grant Approved £
TOTAL	8,835,789	7,446,289
Byw'n lach Element	1,158,279	1,158,279
Rest of Council	7,677,510	6,288,010

Note: The amount shown in Appendix 1 includes loss of additional income and expenditure of a departmental nature, with amounts on corporate issues and specific schemes (for example Furlough and free school meals) have already been allocated to the relevant departments.

Agenda Item 11

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	15 OCTOBER 2020
TITLE:	CAPITAL PROGRAMME 2020/21 – END OF AUGUST 2020 REVIEW
PURPOSE:	Monitoring Report on the Expenditure and Financing of the Capital Programme
ACTION:	Receive the information, consider the risks regarding the Capital Programme, and scrutinise the Cabinet’s decisions
CABINET MEMBER:	COUNCILLOR IOAN THOMAS
CONTACT OFFICER:	FFION MADOG EVANS, SENIOR FINANCE MANAGER

1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit and Governance Committee is expected to scrutinise some financial matters including budget monitoring reports, as appropriate.
2. The attached report (Capital Programme 2020/21 – End of August 2020 Review) was presented to the Cabinet on 13 October 2020 for decisions regarding the revised programme and its financing.
3. The Cabinet Member for Finance and the Chairman of the Audit and Governance Committee have asked us to present this report to the Audit and Governance Committee to be scrutinised.
4. The Audit and Governance Committee is asked to note the position and any risks regarding the Council’s capital programme, scrutinise the Cabinet’s decisions, and comment as necessary.

Appendices:

Cabinet report 13/10/2020: Capital Programme 2020/21 – End of August 2020 Review

REPORT TO THE CABINET
15 OCTOBER 2020

Cabinet Member: Councillor Ioan Thomas, Finance Cabinet Member

Subject: Capital Programme 2020/21 –
End of August Review (31 August 2020 position)

Contact Officer: Ffion Madog Evans, Senior Finance Manager

The decision sought

- To accept the report on the end of August review (31 August 2020 position) of the capital programme.
 - Approve the revised financing as shown in part 4 of the report, that is:
 - use of various sources, worth a total of £3,646,000, to fund actual slippages from 2019/20,
 - a decrease of £558,000 in the use of borrowing,
 - an increase of £7,105,000 in the use of grants and contributions,
 - no change in the use of capital receipts,
 - an increase of £53,000 in the use of revenue contributions,
 - no change in the use of the capital reserve, and
 - an increase of £283,000 in the use of renewal and other reserves.
-

1. Introduction / Summary

This technical report is presented as part of the 2020/21 budget review procedure. The main purpose of the report is to present the revised capital programme and to approve the relevant financing sources. There is a summary in parts 3 and 4 of the report, with the recommendations in part 6:

Part 3: Analysis by Department of the £87.794m capital programme for the 3 years 2020/21 – 2022/23.

Part 4: The sources of finance for the net increase of approximately £10.529m since the opening budget with £3.646m of the increase due to slippages from 2019/20 (previously reported as part of the year-end review on 16 June 2020).

Part 5: Detail on additional grants since the establishment of the original budget.

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

The remainder of the report is for information.

2. Main Findings

The main findings that arise from the revised position are:

- There are firm schemes in place to invest approximately £44.0m in 2020/21 on capital projects, with £17.1m (39%) of it being financed by attracting specific grants.
- The effect of the Covid19 emergency and the lockdown period on the capital programme can be seen in the reported figures in Appendix C, with only 13% of the budget having been spent by the end of August this year compared to 19% for the same period last year.
- An additional £9.4m of proposed expenditure has been re-profiled from 2020/21 to 2021/22 and 2022/23, but no loss of funding was caused to the Council where schemes have slipped.

3. Capital Programme 2020/21 to 2022/23

See below the revised proposed capital programme as at the end of August 2020.

DEPARTMENT	END OF AUGUST REVIEW				INCREASE / (DECREASE) SINCE THE OPENING BUDGET £'000	SLIPPAGES ADJUSTMENT £'000	OTHER CHANGES £'000
	2020/21	2021/22	2022/23	TOTAL			
	£'000	£'000	£'000	£'000			
Education	10,248	13,631	4,632	28,511	2,107	(13)	2,120
Environment	3,668	1,009	199	4,876	1,448	(82)	1,530
Corporate Support	119	-	-	119	-	-	-
Finance	458	1,237	768	2,463	(23)	(23)	-
Economy and Community	2,178	609	245	3,032	531	279	252
Housing and Property	11,147	9,016	5,052	25,215	3,441	1,447	1,994
Adults, Health and Wellbeing	2,648	3,263	1,450	7,361	234	(130)	364
Children and Supporting Families	1,367	250	250	1,867	579	539	40
Highways and Municipal	9,477	2,313	4,765	16,555	2,730	2,619	111
Consultancy	1,186	6,336	287	7,809	573	101	472
Corporate	1,518	500	500	2,518	(1,091)	(1,091)	-
TOTAL	44,014	38,164	18,148	100,326	10,529	3,646	6,883

4. Changes to the Sources of Finance

The budget for the three year programme shows an increase of £10.529m since the opening budget position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF AUGUST REVIEW				INCREASE / (DECREASE) SINCE THE OPENING BUDGET	SLIPPAGES ADJUSTMENT	OTHER CHANGES
	2020/21	2021/22	2022/23	TOTAL			
	£'000	£'000	£'000	£'000			
Supported Borrowing	8,116	6,610	6,610	21,336	-	-	-
Other Borrowing	1,123	4,948	11	6,082	105	663	(558)
Grants and Contributions	17,128	8,765	3,277	29,170	7,634	529	7,105
Capital Receipts	677	165	13	855	27	27	-
Departmental & Corporate Revenue	1,760	278	-	2,038	56	3	53
Capital Fund	562	4,935	-	5,497	1,439	1,439	-
Renewals & Other Funds	14,648	12,463	8,237	35,348	1,268	985	283
TOTAL	44,014	38,164	18,148	100,326	10,529	3,646	6,883

5. Additional Grants

Since setting the original budget at the end of March, the Council succeeded in attracting the following additional grants totalling £7,503k. A number of adjustments including a reduction of £398k for schemes lower than the original forecast brings the total movement to £7,105k (see Appendix A for more information) :

- £2,251k Homelessness Grant Phase II from Welsh Government
- £2,118k 21st Century Schools Grant – Condition and Adaptation Schemes
- £1,310k Local Transport Fund and Active Travel Fund Grant from Welsh Government
- £1,032k Welsh Government Grants towards Flood Alleviation Schemes
- £230k Intermediate Care Fund (ICF) – additional grant from the Welsh Government for adapting adult establishments
- £165k Housing Enable Grant from Welsh Government to facilitate independent living
- £106k Access Improvement Grant from Welsh Government
- £70k Welsh Government's Museums, Archives and Libraries Division (MALD) Grant to develop Neuadd Dwyfor
- £68k Wales Council for Voluntary Action grant towards environmental developments
- £53k Surge Capacity (Page 265) to support developments in adult

care establishments

- £40k Welsh Government Grant for Child Care – Sure Start, Flying Start and Child Care
- £39k Natural Resources Wales Grant grant towards the Coastal Path scheme
- £21k Contribution from the Rural Communities Development Fund (RCDF) towards the Segontium Relocation Scheme

6. Recommendations

The Cabinet is asked to:

- **accept the 2020/21 to 2022/23 revised programme, and**
- **approve the relevant sources of finance (part 4 above).**

7. Reasons for Recommending the Decision

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

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

These are recommendations to ensure definite sources of funding for the 2020/21 – 2022/23 capital schemes.

8. Relevant Considerations

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

9. Next Steps and Timetable

To implement the recommendations to finance the programme.

View of the Local Member

Not relevant.

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

No observations 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 A: Main changes per source of finance
 - Appendix B: Movement from 2020/21 to 2021/22
 - Appendix C: First 5 months' expenditure in 2020/21
-

Details of Main Changes

See below the relevant schemes that have caused the main changes to the sources of finance since the previous review :

	2020/21	2021/22- 2022/23
	£'000	£'000
Grants and Contributions		
<ul style="list-style-type: none"> 21st Century Schools Grant – Condition and Adaptation Schemes (<i>Education Department</i>). 	579	1,539
<ul style="list-style-type: none"> Reduction in the use of the Targeted Regeneration Investment Grant (TRI) to fund the Bangor Regeneration Scheme (<i>Economy and Community Department</i>). 	(388)	
<ul style="list-style-type: none"> Welsh Government's Museums, Archives and Libraries Division (MALD) Grant to develop Neuadd Dwyfor (<i>Economy and Community Department</i>). 	70	
<ul style="list-style-type: none"> Welsh Government Grant for Child Care – Sure Start, Flying Start and Child Care – a for a number of different schemes (<i>Children and Families Department</i>). 	40	
<ul style="list-style-type: none"> Intermediate Care Fund (ICF) – additional grant from the Welsh Government for adapting establishments as well as facilitating joint working arrangements with other agencies (<i>Adults, Health and Wellbeing Department</i>). 	230	
<ul style="list-style-type: none"> Contribution from the Rural Communities Development Fund (RCDF) towards the Segontium Relocation Scheme (<i>Adults, Health and Wellbeing Department</i>). 	21	
<ul style="list-style-type: none"> Surge Capacity (Covid) Grant to support developments in residential homes and day care facilities (<i>Adults, Health and Wellbeing Department</i>). 	53	
<ul style="list-style-type: none"> Welsh Government Grants towards Flood Alleviation Schemes – grants replacing an element of the Local Government Borrowing Initiative (LGBI) funding (<i>Consultancy Department</i>). 	1,032	
<ul style="list-style-type: none"> Local Transport Fund and Active Travel Fund Grant from Welsh Government towards several different schemes (<i>Environment Department</i>). 	1,310	

• Natural Resources Wales Grant grant towards the Coastal Path scheme (<i>Environment Department</i>).	39	
• Wales Council for Voluntary Action grant towards environmental developments (<i>Environment Department</i>).	68	
• Access Improvement Grant from Welsh Government towards improvement and promotion of access rights to land and green spaces (<i>Environment Department</i>).	106	
• Housing Enable Grant from Welsh Government to facilitate independent living (<i>Housing and Property Department</i>).	165	
• Homelessness Grant Phase II from Welsh Government – number of schemes across the County (<i>Housing and Property Department</i>).	2,251	
Other Borrowing		
• Less support required from the Local Government Borrowing Initiative for the Flood Alleviation Schemes as elements now financed from grants (<i>Consultancy Department</i>).	(558)	
Departmental Revenue		
• Additional revenue financing for several small schemes (<i>Various Departments</i>).	53	
Renewals and Other Funds		
• Transformation Fund Scheme to develop Neuadd Dwyfor (<i>Economy and Community Department</i>).	570	
• <i>Upgrading Depots and Fuel Tanks (Highways and Municipal Department)</i> .	60	
• Vehicles Renewals - Highways and Municipal Units (<i>Highways and Municipal Department</i>).	24	
• Waste Management Schemes including skips and recycling carts (<i>Highways and Municipal Department</i>).	55	
• The revenue element identified as part of the Housing Strategy to be removed from the Capital Programme and included as part of the revenue budget (<i>Housing and Property Department</i>).	(126)	(302)

Details of Budget Re-profiling

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

	2020/21 £'000	2021/22 £'000
Schools' Schemes (21 st Century and Other) (<i>Education Department</i>)	(1,579)	1,579
Caernarfon Town and Coast Regeneration (<i>Economy and Community Department</i>)	(174)	174
Maritime and Country Parks' Schemes (<i>Economy and Community Department</i>)	(135)	135
Adults Residential Establishments' Schemes (<i>Adults, Health and Wellbeing Department</i>).	(294)	294
Adults Day Care Establishments' Schemes (<i>Adults, Health and Wellbeing Department</i>).	(569)	569
Cadfan Bridge, Tywyn (<i>Highways and Municipal Department</i>)	(102)	102
Vehicles Renewals (<i>Highways and Municipal Department</i>)	140	(140)
Flood Alleviation Schemes (<i>Consultancy Department</i>)	(1,178)	1,178
Aberdyfi Quay (<i>Consultancy Department</i>)	(1,748)	1,748
Transport Schemes (<i>Environment Department</i>)	(353)	353
Car Park Resurfacing (<i>Environment Department</i>)	(219)	219
Vehicle Charging Points (<i>Environment Department</i>)	(198)	198
Environment Department Specialist IT Systems (<i>Environment Department</i>)	(72)	72
Office Adaptation Schemes (<i>Housing and Property Department</i>)	(153)	153
Council's Carbon Management Schemes (<i>Housing and Property Department</i>)	(1,167)	1,167
Asbestos Removal Schemes (<i>Housing and Property Department</i>)	(580)	580
Economic Stimulus Schemes (<i>Housing and Property Department</i>)	(925)	925

Note:

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

There is a variety of valid reasons behind the re-profiling in many cases, but the delay prior to implementing these schemes can mean that the services have to cope for longer with current assets which have not been improved.

Capital Expenditure First 5 Months 2020/21

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed August)	ACTUAL EXPENDITURE FOR THE 5 MONTHS TO
	2020/21 £'000	31/08/2020 £'000
Education	10,248	1,583
Environment	3,668	217
Corporate Support	119	5
Finance (and Information Technology)	458	94
Economy and Community	2,178	238
Housing and Property	11,147	1,312
Adults, Health and Wellbeing	2,648	466
Children and Supporting Families	1,367	256
Highways and Municipal	9,477	1,109
Consultancy	1,186	255
Corporate	1,518	-
TOTAL	44,014	5,535

Note:

The percentage that has been spent this year (13%) is lower than the position this time last year (amount spent in 5 months in 2019/20 was 19%).

Agenda Item 12

MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: 15 OCTOBER 2020

TITLE: 2021/22 BUDGET STRATEGY

PURPOSE: FINANCIAL PLANNING

AUTHOR: DAFYDD L EDWARDS, HEAD OF FINANCE

CABINET MEMBER: COUNCILLOR IOAN THOMAS, FINANCE CABINET MEMBER

1. The Audit and Governance Committee scrutinises some financial matters, including budgetary reports, as appropriate.
2. The attached report (2021/22 Budget Strategy) was submitted to the Cabinet on 13 October 2020.
3. The Cabinet Member for Finance and the Chairman of the Audit and Governance Committee have asked us to present this report to be scrutinised.
4. The Audit and Governance Committee is requested to note the uncertainty regarding the Council's budget for 2021/22, and comment on the strategy.

MEETING: **CABINET**

DATE: **13 OCTOBER 2020**

TITLE: **2021/22 BUDGET STRATEGY**

PURPOSE: **FINANCIAL PLANNING**

AUTHOR: **DAFYDD L EDWARDS, HEAD OF FINANCE**

CABINET MEMBER: **COUNCILLOR IOAN THOMAS, FINANCE CABINET MEMBER**

Decision sought:

Approve a procedure and timetable to construct the 2021/22 Budget, while noting that financial planning is extremely challenging, and therefore if there is a funding gap to balance the 2021/22 budget, that the Council will use contingencies and reserves to mitigate resource losses in the short term.

Background

1. The purpose of this report is to give an outline of the budget setting procedure for the year 2021/22, in this year's unusual context.

Council Expenditure

2. The Council's accountants are currently doing the budget preparation work in terms of 2021/22 spending requirements, by estimating the impact of pay agreements, other inflation, adjusting pension contributions and other spending commitments.
3. Inevitably, several requests for additional resources will be submitted by Council services facing unavoidable pressure, and these 'bids' will be assessed by the Corporate Management Team and Cabinet members over the coming months.

Government Grant

4. The other side of the coin is the grant resources which will be available to the Council in order to fund these commitments. The Welsh Government have indicated their intention to issue their **2021/22 provisional local government settlement on 15 December 2020** (after publishing their 2021-22 Draft Budget on 8 December 2020) and the **final local government settlement on 3 March 2021** (after publishing their final Budget on 2 March 2021). These dates may change if the UK Government's Comprehensive Spending Review is deferred, and HM Treasury have recently confirmed "that there will be no Budget this autumn" in order to focus on a "winter economy plan" to "protect jobs" as Britain enters a new phase of the pandemic.
5. This timetable will be challenging for local authorities, with an extended period of financial uncertainty following the unforeseen cost of the Covid-19 crisis, but Gwynedd Council will commence from a relatively sound budget base.

6. Members and officers will undertake further work over the coming months in order to meet the timetable to prepare a budget proposal for submission to full Council on 4 March 2021.

Financial Uncertainties

7. At this stage there are a great many assumptions and 'known unknowns', while the financial and economic conditions are continually changing, along with the Governments' responses. In planning the Council's 2021/22 budget, we face unprecedented financial uncertainties, including:
 - i. The impact of the Covid-19 pandemic on spending, income, savings plans, and the pace of recovery.
 - ii. The extent of Government support to offset the financial cost to the Council of the pandemic (additional Government funding will partially mitigate additional costs, income losses and possibly revenue deficits as a consequence of the pandemic and recession in 2020/21, but will not mitigate undeliverable savings proposals, and additional 'Covid' funding has not been identified for 2021/22).
 - iii. The expected world-wide recession as we emerge from lock-down and the end of the Brexit transition period.
 - iv. The economic and financial impacts of Brexit remain unclear and any cost pressure to the Council may need to be contained within existing budgets.
 - v. A trend of recently increased prices, suspended by the Covid-19 pandemic.
 - vi. A trend of higher annual pay awards.
 - vii. The likely delay in the spending review intended to take place in 2020, with no indications of core funding and level of grants in 2021/22 and beyond.
 - viii. The deficit in the business rates national pool, planned for distribution to local authorities in 2021/22.
 - ix. For 2020/21, the Council received a fairer grant settlement than in previous years.
 - x. There will be an election for the Welsh Parliament in May 2021.
 - xi. Unconfirmed Government proposals for sustainable long-term funding for adult social care.
 - xii. No confirmation of additional funding for new burdens and other demand pressures including social care, homelessness and increased claims for Council Tax Reductions.

Conclusion

8. Consequently, **financial planning is extremely challenging**, with a range of potential scenarios suggesting a funding gap for 2021/22 which could be any sum up to £8m (assuming that some of the risks listed above are mutually incompatible), with the range of potential outcomes increasing widely beyond 2021/22. **In planning for 2021/22, if there is a funding gap Gwynedd Council's relatively sound financial base should allow us to 'bridge' in the short term.**

Recommendation

9. We understand, of course, that the Council will want to avoid intensive and unnecessary consideration of listed potential savings and service cuts during a probable second wave of the Covid-19 pandemic. Therefore, **if there is a funding gap to balance the 2021/22 budget, we recommended that the Council should consider using contingencies and reserves to mitigate resource losses**, along with the Council tax needing to increase (assumed at 3.5%, as already assumed in previous medium term budget plans).

Future Steps

10. It's really beneficial being able to draw on reserves to mitigate immediate budget pressures now, in a national crisis. In the longer-term, those Council reserves will need to be replenished, so that they're available when required in future.
11. When the Council faces fewer financial uncertainties, during 2021, the Statutory Finance Officer and the Finance Cabinet Member will look to establish medium term budget plans, reviewing any decisions previously taken.
12. Further reports will be received by the Cabinet in December 2020 and in February 2021, as further funding information becomes available and as budget plans for 2021/22 develop.
13. In January, Cabinet members will consider the Council's unavoidable spending commitments in the context of the draft grant settlement, before the Finance Cabinet Member and the Head of Finance consult with all Council Members in a series of virtual seminars.
14. The Council's budget timetable is in **Appendix A**.
15. We will be adhering to the usual annual timetable of reporting to the Audit and Governance Committee (11 February, to offer comments on financial risks), the Cabinet (16 February, to recommend a budget and tax), and full Council (4 March, to set a budget and the Council Tax, which must be set by 11 March).

Local member's views

Not relevant

Views of the statutory officers

The Monitoring Officer:

An uncertain and challenging situation is highlighted when planning a budget for 2020/21. Setting the budget involves a series of statutory dates. It is appropriate to report on the proposed timetable for the adoption of the 2020/21 budget as the anticipated timescale as set out in the report has the potential to impact on the Council's constitutional timescales. It is sensible to keep the situation under review.

Head of Finance:

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

2021/22 BUDGET TIMETABLE

2020	
8 December	The Welsh Government's Draft Budget and Provisional local authorities' Settlement
15 December	The Welsh Government's Provisional local authorities' Settlement - consider the implications for the Council
2021	
19 January	Formal Cabinet meeting – consider the implications of the Settlement for the Council's Budget
?? January	Virtual Seminar on the Budget for Members
?? January	Virtual Seminar on the Budget for Members
?? January	Virtual Seminar on the Budget for Members
?? January	Virtual Seminar on the Budget for Members
11 February	Audit & Governance Committee - scrutinise the draft budget and consider relevant risks
16 February	Formal Cabinet meeting – consider the financial strategy and recommend the budget to full Council
2 March	Final Welsh Government Budget for 2021/22
3 March	Final Welsh Government Settlement for local authorities
4 March	Full Council meeting – set the budget and tax for 2021/22

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	15 OCTOBER 2020
TITLE	COMMITTEE FORWARD PROGRAMME
PURPOSE OF REPORT	TO PRESENT AN OUTLINE OF THE COMMITTEE'S WORK PROGRAMME FOR 2020/21
AUTHOR	DEWI MORGAN, ASSISTANT HEAD (REVENUES AND RISK)
ACTION	FOR INFORMATION

1. INTRODUCTION

- 1.1 The purpose of this report is to give an outline of the Committee's work programme for the period up to July 2021, which is included in the Appendix.
- 1.2 The attached programme of work has been agreed with the Chair and Vice-chair of the Audit and Governance Committee at a meeting on 17 September 2020 with the Cabinet Member for Finance, the Chief Executive, the Head of Finance and the Scrutiny Advisor.
- 1.3 An equivalent meeting was held between the Chair and Vice-chair and the Cabinet Member for Corporate Support, the Chief Executive, the Head of Corporate Support, the Head of Legal Service and the Scrutiny Advisor on 23 September 2020. No additional item was identified for inclusion on the forward programme.
- 1.4 However, this item is an opportunity for all members of the Audit and Governance Committee to consider the items to be discussed during this period in order to fulfil the Committee's role within the Council's Governance Framework, and to give members the opportunity to prepare as required.
- 1.5 Of course, the exact form of committee agendas may be different by the time of the meetings, depending on the circumstances at the time. This may include issues which have arisen in audit work, the need to consider specific issues in the wider areas of governance, or matters that have arisen from the Committee's scrutiny role in relation to corporate matters.

2. RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to consider the contents of the attached forward programme, to question officers about the items as required and to offer comments.

Forward Programme of the Audit and Governance Committee to July 2021

30 November 2020

Internal Audit Output 1/4/2020 – 31/10/2020

Internal Audit Plan 2020/21

Report from the Control Improvement Working Group

Treasury Management 2020/21 – Mid-Year Review

Counter fraud, Anti-Corruption and Anti-Bribery Arrangements

Risk Management Arrangements

11 February 2021

Financial Strategy and Budget 2021/22

Capital Strategy 2021/22

Report from the Control Improvement Working Group

Revenue Budget 2020/21 – End of November Review

Capital Programme 2020/21 – End of November Review

Savings Overview – Progress Report on Realising Savings Schemes

Internal Audit Output 1/11/2020 – 31/1/2021

Internal Audit Plan 2020/21

Draft Internal Audit Plan 2021/22

Self-Assessment of Governance Arrangements

Self-Assessment of the Effectiveness of the Audit Committee

May 2021

Savings Overview – Progress Report on Realising Savings Schemes

Internal Audit Output 1/2/2021 – 31/3/2021

Head of Internal Audit Annual Report 2020/21

Counter fraud, Anti-Corruption and Anti-Bribery Arrangements

Risk Management Arrangements
Gwynedd Council Annual Governance Statement 2020/21
Report from the Control Improvement Working Group
Audit and Governance Committee Forward Plan 2021-2022

June 2021
Final Accounts 2020/21– Revenue Outturn
Capital Programme 2020/21– End of Year Review
Savings Overview – Progress Report on Realising Savings Schemes
Treasury Management 2020/21
Gwynedd Harbours Final Accounts 2020/21

July 2021
Final Accounts – Gwynedd Council 2020/21 a) To submit the revised statutory financial statements b)(i) To submit the formal “ISA 260” report for Gwynedd Council b)(ii) To authorise the Committee Chairman and the Head of Finance to sign the “letter of representation” (the Council)
Final Accounts – Gwynedd Pension Fund 2020/21 a) To submit the revised statutory financial statements b)(i) To submit the formal “ISA 260” report for the Pension Fund b)(ii) To authorise the Committee Chairman and the Head of Finance to sign the “letter of representation” (Pension Fund)
Gwynedd Harbours Final Accounts 2020/21 (only if there are post-audit changes)
Recommendations and Proposals for Improvement of External Audit Reports