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NARRATIVE REPORT

Introduction

Gwynedd Council's accounts for the year 2018/19 are presented here on pages 8 to 103.

The Statement of Accounts consist of:-

- **Expenditure and Funding Analysis** – Whilst this is not a statutory statement, it shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

- **Comprehensive Income and Expenditure Statement** - This is the Council's main revenue account. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Movement in Reserves Statement** - This statement shows the movement in year on the different reserves held by the Authority, analysed into 'usable reserves' and 'unusable reserves'. The taxation position is reflected in the Movement in Reserves Statement.

- **The Balance Sheet** - Sets out the financial position of the Council on 31 March 2019.

- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2018/19 for revenue and capital purposes.

- **The Welsh Church Fund and FMG Morgan Trust Fund Accounts.**

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

Gwynedd Council's Vision and Priorities

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

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

Financial Strategy

The Council's Financial Strategy and 2018/19 Budget adopted by the Council at its meeting on 8 March 2018 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.

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 Performance Report provides information on our Council's services performance against our priorities while focusing on improving the outcomes in the lives of the people of Gwynedd. The report is available at: https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Council-performance/Performance-Measuring.aspx

Financial Performance 2018/19

- Despite the sustained need to achieve challenging savings, the final financial position of the Council's departments for 2018/19 confirms that there was effective financial management. The financial out-turn position for 2018/19 was reported to the Cabinet at its meeting on 21 May 2019. The members of the Cabinet approved the carry-forward of the net services underspend of £12k for the year.

- At 2018/19 year-end, half of the departments and several corporate headings reported an underspend financial position, with an improvement in the financial position of the Education and Adults Departments by year-end, and a significant increase in the level of underspend reported by the Environment Department. However, there was an increase in the trend of overspending by the Children and Families Department, and by the Highways and Municipal Department.

- The Comprehensive Income and Expenditure Statement on page 9 shows that the Council's gross revenue expenditure on 'Cost of Services' level was £378m during 2018/19, with the net position as £243m.

- The 2018/19 financial position was taken into consideration in the process of establishing the 2019/20 budget.

TABLE 1 – 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 £260m for 2018/19.

Table 1 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	259,574	258,430	(1,144)
Departmental Carry Forward at year-end	0	12	12
	259,574	258,442	(1,132)
Financed by -			
Council Tax Income	(84,447)	(84,490)	(43)
Share of National Non-Domestic Rate	(40,191)	(40,191)	0
General Government Grants	(134,936)	(134,936)	0
Contributon to the General Fund Balance	0	1,175	1,175
	0	0	0

- The Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement on pages 9 and 10 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	83,442	(10)	**83,432**	0	**83,432**
Corporate Support	7,791	10	**7,801**	0	**7,801**
Finance	5,833	82	**5,915**	0	**5,915**
Economy and Community	4,264	9	**4,273**	0	**4,273**
Adults, Health and Wellbeing	50,964	171	**51,135**	(63)	**51,072**
Children and Family Support	15,733	59	**15,792**	0	**15,792**
Highways and Municipal (including Trunk Roads)	24,479	(170)	**24,309**	0	**24,309**
Environment	4,629	(1,660)	**2,969**	0	**2,969**
Corporate Management Team and Legal	1,741	(55)	**1,686**	0	**1,686**
Gwynedd Consultancy	135	297	**432**	0	**432**
Corporate	55,278	(45,981)	**9,297**	35,901	**45,198**
Cost of Services	254,289	(47,248)	**207,041**	35,838	**242,879**
Other (Contains Centralised and Corporate Adjustment)	4,153	47,248	**51,401**	(35,838)	**15,563**
Total	258,442	0	**258,442**	0	**258,442**

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:-
  - Reductions of £49m on pensions, being the annual remeasurement of the net defined benefit assets relating to pensions, in line with Gwynedd Pension Fund's Actuary's assessment (Note 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 £10m on the revaluation of property, plant and equipment assets (Note 15 & 23).

- **Other Issues**

  - Problems in the global financial situation have continued in recent years. Because of this general situation, it has been necessary for the Authority to take the circumstances into consideration in its financial plans, whilst maintaining a prudent level of reserves.

  - Since the referendum on the UK's membership of the European Union, there has been a degree of economic uncertainty. This is expected to last for some time and may affect some factors and financial decisions made by the Authority.

Capital Expenditure in 2018/19

Capital expenditure for 2018/19 amounted to £22.8m. The following table gives an analysis of this expenditure and the way it was financed.

TABLE 3 - SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

2017/18 £'000		2018/19 £'000
10,575	Education	3,481
4,888	Environment	4,340
28	Corporate Support	6
389	Finance	1,049
1,249	Economy and Community	656
2,781	Adults, Health and Wellbeing	4,832
214	Children and Family Support	93
3,095	Highways and Municipal	6,971
179	Gwynedd Consultancy	1,380
23,398		**22,808**
	FINANCED BY -	
7,785	Borrowing	7,918
11,109	Grants and Contributions	10,538
1,384	Capital Receipts	162
3,120	Revenue and Other Funds	4,190
23,398		**22,808**

- Revenue Expenditure Funded from Capital Under Statute of £3.5m is included in the above table. This has been charged to the Income and Expenditure Statement in the year. Total expenditure on Non-current Assets and Assets Held for Sale was £19.8m as shown in Note 15 and 20 on pages 38 to 40 and page 55.

- The Council's Loan Debt at 31 March 2019 was £108.7m – a decrease of £10m (from £118.7m) during the year. Repayments of £10.3m were made in accordance with the terms of individual loans.

Provisions and Reserves

In addition to the unearmarked element of General Balances of £7.1m, the Council had other provisions of £8m, earmarked reserves of £53.8m and school balances of £4m. In total, these amounted to £72.9m. 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 £4.262m of resources, of which £3m is to be earmarked for the priorities of the Council Plan, £1m to be moved to the Council's General Balances with £262k to be used over the next year to bridge the relevant commitment funding source for the Pension Fund.

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 increased by £72m to £299m in 2018/19. 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 triennial valuation will provide a move dependable picture of the situation by 31 March 2020.

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 in Appendix C.

Accounting Policies

The accounting policies adopted by the Council comply with all relevant recommended accounting practices and are fully explained in the Accounting Policies set out in Note 1 to the Accounts on page 13.

Changes in Accounting Policies and to the Accounts

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

These Statements have been fully revised to reflect the Code's adoption of *IFRS 9 Financial Instruments*, with additional disclosures and amended presentation of numbers in Note 17 Financial Instruments.

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

Further Information

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

Further information relating to the accounts is available from:

Ffion Madog Evans
Senior Finance Manager
01286 679133

or

Sian Pugh
Principal Accountant
01286 679134

Finance Department
Gwynedd Council
Council Offices
Caernarfon
Gwynedd
LL55 1SH

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

GWYNEDD COUNCIL

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES

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

Angela A Russell

Chair Audit and Governance Committee **13 September 2019**

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 2019 and the Council's income and expenditure for the year then ended.

DL Edwards

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

6 September 2019

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

2017/18				2018/19		
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
82,093	0	82,093	Education	83,432	0	83,432
7,843	0	7,843	Corporate Support	7,801	0	7,801
5,855	0	5,855	Finance	5,915	0	5,915
5,823	0	5,823	Economy and Community	4,273	0	4,273
45,402	0	45,402	Adults, Health and Wellbeing	51,135	(63)	51,072
13,620	0	13,620	Children and Family Support	15,792	0	15,792
21,065	0	21,065	Highways and Municipal (including Trunk Roads*)	24,309	0	24,309
4,242	0	4,242	Environment	2,969	0	2,969
1,879	0	1,879	Corporate Management Team and Legal	1,686	0	1,686
(168)	0	(168)	Gwynedd Consultancy	432	0	432
20,709	29,529	50,238	Corporate	9,297	35,901	45,198
208,363	**29,529**	**237,892**	**Cost of Services**	**207,041**	**35,838**	**242,879**
21,417	546	21,963	Other Operating Expenditure	22,578	174	22,752
16,774	(4,625)	12,149	Financing and Investment Income and Expenditure	17,502	(5,262)	12,240
(245,564)	(11,039)	(256,603)	Taxation and non-specific grant income	(259,617)	(13,581)	(273,198)
990	**14,411**	**15,401**	**(Surplus)/Deficit on Provision of Services**	**(12,496)**	**17,169**	**4,673**
(53,379)			Opening General Fund Balance	(52,389)		
990			(Surplus)/Deficit on General Fund in year	(12,496)		
(52,389)			Closing General Fund Balance	**(64,885)**		

* 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.

2017/18					2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
103,039	(20,946)	82,093	Education		105,225	(21,793)	83,432
9,381	(1,538)	7,843	Corporate Support		9,339	(1,538)	7,801
8,172	(2,317)	5,855	Finance		8,298	(2,383)	5,915
14,310	(8,487)	5,823	Economy and Community		12,787	(8,514)	4,273
73,158	(27,756)	45,402	Adults, Health and Wellbeing		75,914	(24,842)	51,072
19,794	(6,174)	13,620	Children and Family Support		25,835	(10,043)	15,792
37,046	(15,981)	21,065	Highways and Municipal (including Trunk Roads*)		41,701	(17,392)	24,309
12,999	(8,757)	4,242	Environment		11,937	(8,968)	2,969
2,643	(764)	1,879	Corporate Management Team and Legal		2,342	(656)	1,686
2,155	(2,323)	(168)	Gwynedd Consultancy		5,862	(5,430)	432
81,736	(31,498)	50,238	Corporate		78,289	(33,091)	45,198
364,433	**(126,541)**	**237,892**	**Cost of Services**		**377,529**	**(134,650)**	**242,879**
21,963	0	21,963	Other Operating Expenditure	*11*	22,752	0	22,752
12,360	(211)	12,149	Financing and Investment Income and Expenditure	*12*	12,547	(307)	12,240
0	(256,603)	(256,603)	Taxation and Non-specific Grant Income	*13*	0	(273,198)	(273,198)
398,756	**(383,355)**	**15,401**	**(Surplus)/Deficit on Provision of Services**		**412,828**	**(408,155)**	**4,673**
		(5,813)	(Surplus)/Deficit on revaluation of Fixed Assets	*23.1*			(10,326)
		153	(Surplus)/Deficit on revaluation of Financial Instruments	*23.3*			448
		(22,330)	Remeasurements of the net defined benefit liability/(asset)	*23.5*			48,870
		(27,990)	**Other Comprehensive Income and Expenditure**				**38,992**
		(12,589)	**Total Comprehensive Income and Expenditure**				**43,665**

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

MOVEMENT IN RESERVES STATEMENT

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

		Additional Information			**Statement of Movement in Reserves**					
	Note	*Unearmarked General Fund Balance*	*Earmarked General Fund Reserves*	*Total Reserves held by Schools*	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
		£'000	*£'000*	*£'000*	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
Balance 31 March 2017 carried forward		*(6,910)*	*(43,590)*	*(2,879)*	(53,379)	(2,897)	(1,032)	**(57,308)**	**(18,969)**	**(76,277)**
Movement in reserves during 2017/18										
Total Comprehensive Income and Expenditure		*15,401*	*0*	*0*	15,401	0	0	**15,401**	**(27,990)**	**(12,589)**
Adjustments between accounting basis and funding basis under regulations	*9*	*(14,411)*	*0*	*0*	(14,411)	1,168	(1,070)	**(14,313)**	**14,313**	**0**
(Increase)/Decrease in 2017/18		*990*	*0*	*0*	990	1,168	(1,070)	**1,088**	**(13,677)**	**(12,589)**
Transfers to/from Earmarked Reserves		*25*	*1,114*	*(1,139)*	0	0	0	**0**	**0**	**0**
(Increase)/Decrease in 2017/18 (showing transfers to Earmarked Reserves)		*1,015*	*1,114*	*(1,139)*	990	1,168	(1,070)	**1,088**	**(13,677)**	**(12,589)**
Balance 31 March 2018 carried forward	*10*	*(5,895)*	*(42,476)*	*(4,018)*	(52,389)	(1,729)	(2,102)	**(56,220)**	**(32,646)**	**(88,866)**
Transition to IFRS 9	*17*	*4*	*0*	*0*	4	0	0	**4**	**0**	**4**
Movement in reserves during 2018/19										
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	*10*	*(7,070)*	*(53,815)*	*(4,000)*	(64,885)	(2,140)	(6,020)	**(73,045)**	**27,844**	**(45,201)**

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 2018		***Note***	**31 March 2019**
£'000			**£'000**
438,420	Property, Plant and Equipment	*15*	450,548
60	Heritage Assets		60
116	Investment Property	*16*	705
2,259	Surplus Assets	*15*	2,225
17	Long-Term Investments	*17*	17
4,101	Long-Term Debtors	*17*	4,139
444,973	**Long-Term Assets**		**457,694**
35,028	Short-Term Investments	*17*	19,567
73	Assets Held for Sale	*20*	73
1,065	Inventories		1,251
57,074	Short-Term Debtors	*18*	55,834
12,403	Cash and Cash Equivalents	*19*	14,686
105,643	**Current Assets**		**91,411**
(45,538)	Bank Overdraft	*19*	(30,573)
(10,865)	Short-Term Borrowing	*17*	(2,770)
(56,573)	Short-Term Creditors	*21*	(53,280)
(257)	Short-Term Provisions	*22*	(278)
(1,787)	Capital and Revenue Grants Receipts in Advance	*32*	(1,618)
(115,020)	**Current Liabilities**		**(88,519)**
(7,519)	Long-Term Provisions	*22*	(7,685)
(107,810)	Long-Term Borrowing	*17*	(105,924)
(226,981)	Pension Liability	*38*	(298,514)
(1,851)	Finance Leases Liability	*35*	(1,700)
(2,569)	Capital and Revenue Grants Receipts in Advance	*32*	(1,562)
(346,730)	**Long-Term Liabilities**		**(415,385)**
88,866	**Net Assets**		**45,201**
(56,220)	Usable Reserves		(73,045)
(32,646)	Unusable Reserves	*23*	27,844
(88,866)	**Total Reserves**		**(45,201)**

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.

2017/18		***Note***	**2018/19**
£'000			**£'000**
15,401	Net (Surplus)/Deficit on Provision of Services		4,673
(35,198)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	*24a*	(40,347)
240	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	*24b*	699
(19,557)	Net cash flows from Operating Activities		(34,975)
31,104	Investing Activities	*25*	7,604
(7,063)	Financing Activities	*26*	10,123
4,484	Net (increase)/decrease in cash and cash equivalents		(17,248)
28,651	Cash and cash equivalents at the beginning of the reporting period	*19*	33,135
33,135	**Cash and cash equivalents at the end of the reporting period**	*19*	**15,887**

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) (Amendment) Regulations 2018, in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United kingdom 2018/19* supported by International Financial Reporting Standards (IFRS).

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

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

1.2 Accruals of Expenditure and Income

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

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

1.3 Cash and Cash Equivalents

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

1.4 Contingent Assets / Contingent Liabilities

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

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

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

1.5 Corporate

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

1.6 Employee Benefits

1.6.1 Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which 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 2.4% calculated as a weighted average of 'spot yields' on AA rated corporate bonds.

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

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate costs.

- Net interest on the net defined benefit liability/(asset), i.e. the net interest expense for the Authority – the change during the period in the net defined benefit liability/(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) at the beginning of the period – taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments.

Remeasurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability/ (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

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

1.6.5 Discretionary Benefits

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

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. There are three main classes of financial assets measured at:

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

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.

Financial Assets Measured at Fair Value through Profit of 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.

The fair value measurements of the 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.

1.10 Government Grants and Other Contributions

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

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

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

1.11 Heritage Assets

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

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

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

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

1.12 Inventories and Long-Term Contracts

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

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.

1.14 Leases

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

The Authority as Lessee:

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

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

The Authority as Lessor:

Where the Authority grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal, to be included in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is

fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

1.15 Surplus Assets

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

1.16 Overheads and Support Services

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

1.17 Long-Term Assets

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

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

Investment Properties are shown at fair value.

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

Infrastructure and community assets are shown at depreciated historical cost.

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

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

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

Impairment and Depreciation

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve 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 2018/19 financial year this has been set at 1% of the total value of the buildings. The apportionment to be considered for the non-land element of assets above the de minimis threshold is:
a) plant and equipment and engineering services, and
b) structure

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

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

Depreciation is generally charged on the Balance Sheet value of assets to write them off as follows:
(i) Vehicles, Plant, Furniture and Equipment are depreciated over their estimated useful life (3–15 years)
(ii) Infrastructure is depreciated over 40 years
(iii) Revenue Expenditure funded from Capital under Statute is written down in the period in which it arises
(iv) Land is not depreciated
(v) Buildings are depreciated over their estimated remaining useful life (5–80 years)
(vi) Investment Properties, Assets under Construction and Assets Held for Sale are not depreciated

Depreciation is not charged in the year of acquisition.

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 2018/19: 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 2018/19 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

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

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

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

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

1.18 Council Tax and National Non-Domestic Rates

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

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

1.19 Provisions

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

1.20 Reserves (and Balances)

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

- General Fund which represents the general reserves ("balances") of the Authority, namely a working balance to help cushion the impact of uneven cash flows and as a contingency to cushion the impact of unexpected events or emergencies.

- Number of capital and revenue Specific Reserves earmarked for specific purposes, namely, money accumulated to meet anticipated commitments. The Council undertakes a continuous review of the adequacy and use of specific reserves.

- The Council takes a risk-based approach to maintaining an adequate level of balances and reserves to meet future spending needs. When considering the annual budget and medium-term financial strategy, the Council will 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 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.

1.28 Disposal of Assets

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

1.29 Capital Receipts

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

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

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

Gwynedd Council is not part of the Carbon Reduction Commitment Energy Efficiency Scheme as it was below the relevant threshold in 2018/19.

1.31 Landfill Allowances Scheme

The Landfill Allowances Scheme operates under the Landfill Allowances Scheme (Wales) Regulations 2004. Local Authorities are allocated annual allowances for the maximum amount of biodegradable municipal waste that can be sent to landfill. For each ton of biodegradable municipal waste sent to landfill in excess of the allowance a Local Authority may be liable to a penalty of £200 per ton. It is not a "cap and trade" scheme since landfill allowances are not tradable in Wales. For this reason, landfill allowances are not recognised as assets on the Balance Sheet. Gwynedd Council was within its landfill allowance in 2018/19.

1.32 Service Concession Arrangements

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

1.33 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangements. The activities undertaken by the Authority in conjunction with other joint operators involve the use of 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.

1.34 Schools

The *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority 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.

1.35 Fair Value

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

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

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

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

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

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

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

1.36 Other Policies

Gwynedd Council has policies in respect of the following, but they are not considered material for the 2018/19 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 changes required by proper accounting practices following revisions effective for the financial year 2018/19 to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom in respect of accounting for financial instruments and income recognition.

These Statements have been fully revised to reflect the Code's adoption of *IFRS 9 Financial Instruments*, with additional disclosures and amended presentation of numbers in Note 17 Financial Instruments.

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

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments during 2018/19.

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 2019/20 Code:-

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

Annual Improvements to IFRS Standards 2014-2016 Cycle.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration.*

IFRIC 23 *Uncertainty over Income Tax Treatments.*

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

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

NOTE 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. 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.

NOTE 5 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

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 2019 may be considered to be a significant risk (in terms of certainty in estimation of value), with the possibility of material adjustment in the forthcoming financial year:

- **Property, Plant and Equipment** – Assets are depreciated over their useful life in accordance with standard accounting and associated practices. Any difference between the depreciation applied and actual deterioration to assets will be naturally reflected in future spending patterns. The current economic climate brings with it uncertainties for councils in their ability to sustain the necessary spending on repair and maintenance. This obviously would have implications on asset life. Land and buildings are revalued at least every five years, and since 2015/16 a rolling programme of revaluation has been introduced. A number of judgements are required to be made as part of the revaluation and impairment assessment process. This brings with it uncertainties, and assumptions have to be made and responded to accordingly. Where necessary, any resultant long-term implications would be incorporated into our financial strategy. Information relating to Property, Plant and Equipment is contained in Note 15.

- **Provisions** – Various separate provisions, the basis of which have been individually assessed from the latest information available, are contained within these accounts as detailed in Note 22, and include provisions for items such as Waste Sites and certain insurance liability aspects. We are unable to confirm the accuracy of the provisions until such matters are concluded.

- **Pension Liability** – The Pension Liability position as contained within the accounts is based on a number of complex assessments and judgements and varying profiles such as discount rate used, projected salary levels, changes in retirement ages, mortality rates and expected returns on Pension Fund assets, as provided by Actuaries engaged by the Pension Fund. Further details are contained in Note 37 and 38.

- **Doubtful Debts Impairment** – A specific impairment level policy in respect of doubtful debts is contained within the accounts. The impairment level is reviewed regularly in order to respond to any changes in the economic climate, and necessary action taken as appropriate within the accounts to respond accordingly. Doubtful Debts impairments are contained within the figures for Short-Term Debtors contained in Note 18a.

NOTE 7 – MATERIAL ITEMS OF INCOME AND EXPENSE

Material items of income and expense include the following:

- (£49m) on pensions, being the remeasurements of the net defined benefit assets relating to pensions, in line with Gwynedd Pension Fund's Actuary's assessment (Note 23.5).
- 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 £10m on the revaluation of property, plant and equipment assets (Note 15 and 23.1).

NOTE 8 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

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

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

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

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

(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.

2018/19 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources				
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				
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**

2017/18

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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 remain unspent at the end of the financial year, and is a net decrease of £18k compared to the balance on 31 March 2018:

2018/19	Balance	Transfers			Balance
	31 March 2018	between reserves	in	out	31 March 2019
	£'000	£'000	£'000	£'000	£'000
School Balances	4,018	(37)	1,048	(1,029)	4,000
Total	**4,018**	**(37)**	**1,048**	**(1,029)**	**4,000**

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 2018/19, with a net increase of £11m since the position at 31 March 2018.

Note	2018/19	Balance 31 March 2018	Transfers between reserves	Transfers in	Transfers out	Balance 31 March 2019
		£'000	£'000	£'000	£'000	£'000
10.1	Renewals Reserves	5,257	0	2,493	(1,901)	5,849
10.2	Capital Reserves	9,724	(505)	1,584	(63)	10,740
10.3	Insurance Reserves	1,832	0	611	(453)	1,990
10.4	Services Fund	4,149	(320)	482	(476)	3,835
10.5	Convergence Programme Fund	14	788	500	(23)	1,279
10.6	Redundancy Costs to Realise Savings Reserve	3,706	0	0	(138)	3,568
10.7	Central Training	94	0	405	(115)	384
10.8	Education Services Reserves	833	37	735	(711)	894
10.9	Economy and Community Reserves	437	0	17	(126)	328
10.10	Highways and Municipal Reserves	668	17	22	(364)	343
10.11	Waste Developments Reserve	38	(17)	0	(21)	0
10.12	Gwynedd Consultancy Reserves	185	0	0	0	185
10.13	Environment Reserves	869	0	1,912	(116)	2,665
10.14	Care Reserves	895	70	340	(281)	1,024
10.15	Ffordd Gwynedd Fund	387	0	63	0	450
10.16	Invest to Save Fund - Carbon Reduction Plan	312	670	44	(391)	635
10.17	Transformation Fund / Council Plan	9,259	1,937	260	(1,030)	10,426
10.18	Committed Revenue Grants Fund	798	(195)	373	(371)	605
10.19	Contracts Tendering Fund	164	(164)	0	0	0
10.20	Housing Water and Sewerage Services Fund	452	0	0	(55)	397
10.21	Housing Environmental Warranty	480	0	0	0	480
10.22	Information Technology Reserve	452	(138)	229	0	543
10.23	Preparatory Work for European Grant Funding Schemes	38	(38)	0	0	0
10.24	Supporting the Financial Strategy Reserve	3,448	(2,361)	3,713	(2,514)	2,286
10.25	Welfare Fund	222	0	0	0	222
10.26	Partnering Arrangements	414	0	8	(86)	336
10.27	North Wales Economic Ambition Board Fund	270	0	422	(356)	336
10.28	Liabilities Related to the Pension Fund	(4,256)	262	4,034	0	40
10.29	Council Tax Property Transfers Reserve	490	0	0	0	490
10.30	Council Tax Premium Reserve	0	0	2,749	0	2,749
10.31	Various Other Reserves	845	(6)	105	(208)	736
	Total	**42,476**	**37**	**21,101**	**(9,799)**	**53,815**

The earmarked reserves closing balance as at 31 March 2019 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 Reserve is used by the various departments of the Council to replace vehicles and equipment.

10.2 The Capital Reserve 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) and likely requirements from contracts.

10.11 The Waste Development Reserve includes our commitment to the North Wales Residual Waste Partnership.

10.12 Gwynedd Consultancy Reserves – includes amounts set aside to protect against situations of uneven expenditure on some works areas and possible additional employment requirements resulting from changes in the Consultancy Service's work programme.

10.13 Environment Reserves – include a number of balances relating to Property and Transport, schemes operating mainly on a partnership basis, together with specific requirements relating to the Unitary Development Plan and amounts for uneven expenditure situation.

10.14 Care Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.

10.15 Ffordd Gwynedd Fund – to aid the business transformation process, realise savings and assist the Council to achieve "Ffordd Gwynedd" aims and objectives.

10.16 Invest to Save Fund – Carbon Reduction Plan – partly funding the Carbon Reduction Plan programme of works to reduce carbon emissions whilst generating monetary revenue savings for the Council.

10.17 Transformation Fund / 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 Contracts Tendering Fund – in response to uneven spending situations as a result of the tendering process for transport.

10.20 Housing Water and Sewerage Services Fund – amounts reserved for requirements relating to sewerage procedures, water piping and sewage treatment work on old council housing estates, which were not adopted by Welsh Water.

10.21 Housing Environmental Warranty – reserved for possible implications as a result of giving environmental warranties to Cartrefi Cymunedol Gwynedd, in connection with specific and special circumstances that relate to environmental plans on the land of old council housing estates.

10.22 Information Technology Reserve – for responding to the demands in the information technology field, including a renewals fund and to respond to uneven patterns of expenditure.

10.23 Preparatory Work for European Grant Funding Schemes – provision towards the cost of preparing business cases to attract European grants.

10.24 Supporting the Financial Strategy Reserve – a fund established to assist and support the Council's financial strategy.

10.25 Welfare Fund - provision to respond to uneven patterns in the related requirements.

10.26 Partnering Arrangements – includes amounts allocated in relation to various requirements of partnerships and joint working.

10.27 North Wales Economic Ambition Board - for the requirements and commitments of the economic promotion plan relevant to the North Wales Economic Ambition Board.

10.28 Liabilities Related to the Pension Fund – for various future requirements and commitments related to the Pension Fund.

10.29 Council Tax Property Transfer Reserve – provision relating to the implications of properties transferring from Council Tax to National Non Domestic Rates.

10.30 Council Tax Premium Reserve - provision from the Council Tax Premium for achieving the Council's priorities which includes the Housing Strategy.

10.31 Various Other Reserves – includes amounts set aside to meet a variety of other commitments.

NOTE 11 – OTHER OPERATING EXPENDITURE

2017/18		2018/19
£'000		£'000
1,994	**Community Council's Precepts**	2,206
	Levies	
12,518	North Wales Police & Crime Commissioner	13,444
5,852	North Wales Fire Authority	5,914
962	Snowdonia National Park Authority	912
91	Local Drainage Boards	102
19,423		20,372
546	(Gains)/losses on the disposal and de-recognition of non-current assets	174
21,963	**Total**	**22,752**

NOTE 12 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2017/18		2018/19
£'000		£'000
6,123	Interest payable and similar charges	6,092
6,237	Net interest on the net defined benefit liability (asset)	6,363
(211)	Interest receivable and similar income	(307)
0	Adjustments to provisions and the fair value of financial instruments	92
12,149	**Total**	**12,240**

NOTE 13 – TAXATION AND NON-SPECIFIC GRANT INCOME

2017/18		*Note*	2018/19
£'000			£'000
(76,608)	Council Tax Income	*13a*	(84,490)
(40,451)	Non-Domestic Rates	*13b*	(40,191)
(128,505)	Non-ring-fenced Government Grants	*32*	(134,936)
(11,039)	Capital Grants and Contributions	*32*	(13,581)
(256,603)	**Total**		**(273,198)**

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 2018/19 was calculated as follows:-

CALCULATION OF THE COUNCIL TAX BASE FOR 2018/19

Valuation Bands	Number of Properties following discounts	Statutory Multiplier	Equivalent Band D Properties
A*	6	5/9	3.19
A	7,655	6/9	5,103.06
B	13,747	7/9	10,692.24
C	10,987	8/9	9,766.35
D	9,561	1	9,561.04
E	7,679	11/9	9,385.71
F	3,831	13/9	5,533.31
G	1,229	15/9	2,047.92
H	182	18/9	364.00
I	64	21/9	148.75
		Total	**52,605.57**
Council Tax base after allowing for losses on collection			**52,079.51**

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

2017/18 £'000		2018/19 £'000
(76,848)	Council Tax raised	(84,956)
240	**Less** Increase in the impairment allowance for non-collection	466
(76,608)		**(84,490)**

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 (51.4p in 2018/19) 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 2018/19 financial year there were 8,380 properties on the local valuation list in Gwynedd, representing a rateable value of £112,536,448.

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

2017/18 £'000		2018/19 £'000
(39,385)	National Non-domestic Rate raised	(41,525)
394	Cost of Collection allowance	409
310	Provision for Bad Debts	501
38,681	Sum paid to the National Pool	40,615
0		**0**
(40,451)	Receipts from the National Pool	(40,191)
(40,451)	**Net Income from Non-Domestic Rates**	**(40,191)**

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 2018/19 and also in 2017/18 and therefore there is an accumulated loss over a period of three years.

2018/19	£'000
Total charges income received (excluding VAT)	(388)
Total charges expenditure incurred	412
(Surplus)/Deficit for 2018/19	24
(Surplus)/Deficit for 2017/18	20
(Surplus)/Deficit for 2016/17	(20)
(Surplus)/Deficit for the last three years	**24**

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Movements on Property, Plant and Equipment Balances

Movements in 2018/19:

	Land and Buildings	Infrastructure	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Value							
Balance at 1.04.18	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)

Comparative Movements in 2017/18:

	Land and Buildings	Infrastructure	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Value							
Balance at 1.04.17	291,440	198,172	40,601	1,090	2,108	5,507	538,918
Additions	7,020	4,355	2,591	0	3	5,523	19,492
Sales	(3)	0	(2,604)	0	(166)	0	(2,773)
Transfers	2,211	0	0	0	405	(2,616)	0
Revaluation - to Revaluation Reserve	(4,703)	0	0	38	98	0	(4,567)
Revaluation - to Services	(1,277)	0	0	0	(181)	0	(1,458)
Balance at 31.03.18	**294,688**	**202,527**	**40,588**	**1,128**	**2,267**	**8,414**	**549,612**
Depreciation							
Balance at 1.04.17	4,790	39,215	23,511	10	2	0	67,528
Depreciation in year	5,024	5,330	3,864	1	2	0	14,221
Sales	0	0	(2,133)	0	(2)	0	(2,135)
Transfers	0	0	0	0	0	0	0
Revaluation	(3,417)	0	0	(11)	(3)	0	(3,431)
Balance at 31.03.18	**6,397**	**44,545**	**25,242**	**0**	**(1)**	**0**	**76,183**
Impairment							
Balance at 1.04.17	35,236	63	68	230	67	0	35,664
Impairment in year - to Revaluation Reserve	2,644	0	0	0	0	0	2,644
Impairment in year - to Services	4,033	0	0	0	9	0	4,042
Sales	0	0	0	0	(7)	0	(7)
Transfers	0	0	0	0	0	0	0
Revaluation	(9,532)	0	0	(1)	(60)	0	(9,593)
Balance at 31.03.18	**32,381**	**63**	**68**	**229**	**9**	**0**	**32,750**
Net Book Value 31 March 2018	**255,910**	**157,919**	**15,278**	**899**	**2,259**	**8,414**	**440,679**
Net Book Value 31 March 2017	**251,414**	**158,894**	**17,022**	**850**	**2,039**	**5,507**	**435,726**

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

Capital Commitments

Significant commitments under capital contracts at 31 March 2019 were as follows:

	Sum	Payments to date	Balance
	£'000	£'000	£'000
Caernarfon Town and Shores Regeneration Scheme	679	446	233
Ysgol Y Garnedd - extension and refurbishment	8,104	216	7,888

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:

	2017/18	2018/19
	£'000	£'000
Rental income from investment property	9	91
Net gain/(loss)	**9**	**91**

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:

	2017/18	2018/19
	£'000	£'000
Balance 1 April	**197**	**116**
Disposals	(81)	0
Net gains/(losses) from fair value adjustments	0	89
Transfers:		
(to)/from Property, Plant and Equipment	0	500
Balance 31 March	**116**	**705**

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.

Following revisions effective for the financial year 2018/19 to the CIPFA Code of Practice in respect of accounting for financial instruments *IFRS 9 Financial Instruments,* consequently there are changes to the requirements of this note with additional disclosures and amended presentation of numbers to that presented in the 2017/18 accounts.

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:

NOTE 17a – FINANCIAL INSTRUMENTS (continued)

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
- equity investments in a local waste company

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

- money market funds

(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 2018	**31 March 2019**	**31 March 2018**	**31 March 2019**
	£'000	**£'000**	**£'000**	**£'000**
Loans at amortised cost:				
Principal sum borrowed	107,810	105,924	10,333	2,236
Accrued interest	0	0	532	534
Total Borrowing*	**107,810**	**105,924**	**10,865**	**2,770**
Loans at amortised cost:				
Bank overdraft	0	0	45,538	30,573
Total Cash Overdrawn	**0**	**0**	**45,538**	**30,573**
Liabilities at amortised cost:				
Finance Leases	1,851	1,700	0	0
Total other Long-Term Liabilities	**1,851**	**1,700**	**0**	**0**
Liabilities at amortised cost:				
Trade Payables	0	0	33,909	31,904
Finance Leases	0	0	142	151
Included in Creditors**	**0**	**0**	**34,051**	**32,055**
Total Financial Liabilities	**109,661**	**107,624**	**90,454**	**65,398**

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

*The total short-term borrowing includes £2,770,000 (2018: £865,000) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

** The short-term creditors line on the Balance Sheet includes £21,225,000 (£22,522,000 at 31 March 2018) 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:

	Long-term		Short-term	
Financial Assets	**31 March 2018**	**31 March 2019**	**31 March 2018**	**31 March 2019**
	£'000	**£'000**	**£'000**	**£'000**
At amortised cost:				
Principal	17	17	33,000	10,000
Accrued interest	0	0	34	19
Loss allowance	0	0	(2)	(4)
At fair value through other comprehensive income:				
Principal at amortised cost	0	0	1,991	10,000
Loss allowance	0	0	(1)	0
Fair value adjustment	0	0	0	(448)
Total Investments	**17**	**17**	**35,022**	**19,567**
At amortised cost:				
Principal	0	0	3,153	5,243
Accrued interest	0	0	3	3
Loss allowance	0	0	(1)	0
At fair value through profit and loss:				
Fair value	0	0	9,250	9,440
Total Cash and Cash Equivalents	**0**	**0**	**12,405**	**14,686**
At amortised cost:				
Trade receivables	4,101	4,139	11,516	12,133
Included in Debtors*	**4,101**	**4,139**	**11,516**	**12,133**
Total Financial Assets	**4,118**	**4,156**	**58,943**	**46,386**

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

* The short-term debtors line on the Balance Sheet includes £43,701,000 (£45,558,000 at 31 March 2018) 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 2018/19 Code of Practice sets out specific accounting and disclosure requirements for soft loans. During 2018/19 Gwynedd Council identified the following "soft loans":

- Deferred Payments on charges due from people under care (amount outstanding at 31.03.19 £1,973,627)
- Car and Bike Loans to employees (amount outstanding at 31.03.19 £1,069,122)

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 2018 £'000	31 March 2019 £'000	2017/18 £'000	2018/19 £'000
CCLA LAMIT Property Fund	0	4,603	0	17
Investec Diversified Income Fund	0	1,246	0	4
Schroder Income Maximiser Fund	0	2,445	0	38
Kames Diversified Monthly Income Fund	0	1,258	0	11
TOTAL	**0**	**9,552**	**0**	**70**

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 2018			31 March 2019		
	Gross assets (liabilities) £'000	(Liabilities) assets set off £'000	Net position on Balance Sheet £'000	Gross assets (liabilities) £'000	(Liabilities) assets set off £'000	Net position on Balance Sheet £'000
Bank accounts in credit	9,917	(9,917)	0	19,656	(19,656)	0
Total Financial Assets	**9,917**	**(9,917)**	**0**	**19,656**	**(19,656)**	**0**
Bank overdraft	(55,455)	9,917	(45,538)	(50,229)	19,656	(30,573)
Total Financial Liabilities	**(55,455)**	**9,917**	**(45,538)**	**(50,229)**	**19,656**	**(30,573)**

NOTE 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				
	Amortised Cost	Amortised Cost	Elected to Fair Value through OCI	Fair Value through Profit & Loss	2018/19 Total	2017/18 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	6,092	0	0	0	6,092	6,122
Expected credit loss	0	4	0	0	4	0
Interest payable and similar charges	**6,092**	**4**	**0**	**0**	**6,096**	**6,122**
Interest income	0	(138)	0	0	(138)	(211)
Dividend income	0	0	(70)	(99)	(169)	0
Interest and investment income	**0**	**(138)**	**(70)**	**(99)**	**(307)**	**(211)**
Net impact on surplus/ deficit on provision of services	**6,092**	**(134)**	**(70)**	**(99)**	**5,789**	**5,911**
Gains on revaluation	0	0	7	0	7	0
Losses on revaluation	0	0	(455)	0	(455)	0
Impact on other comprehensive income	**0**	**0**	**(448)**	**0**	**(448)**	**0**
Net (gain)/loss for the year	**6,092**	**(134)**	**(518)**	**(99)**	**5,341**	**5,911**

(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.

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 2019, 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.

NOTE 17a – FINANCIAL INSTRUMENTS (continued)

- 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 2018 £'000	Fair Value 31 March 2018 £'000	Balance Sheet 31 March 2019 £'000	Fair Value 31 March 2019 £'000
Financial Liabilities held at amortised cost:					
Long- term loans from PWLB	2	(90,608)	(143,524)	(90,609)	(142,222)
Other long-term loans	2	(18,067)	(32,358)	(18,085)	(28,264)
Lease payables	2	(1,993)	(1,993)	(1,851)	(1,851)
Other liabilities:					
Loan commitments	2	(10,000)	(10,000)	0	0
TOTAL		**(120,668)**	**(187,875)**	**(110,545)**	**(172,337)**
Liabilities for which fair value is not disclosed		(33,909)		(31,904)	
TOTAL FINANCIAL LIABILITIES		**(154,577)**		**(142,449)**	
Recorded on Balance Sheet as:					
Short-term creditors		(33,909)		(31,904)	
Short-term borrowing		(10,865)		(2,770)	
Short-term finance lease liability		(142)		(151)	
Long-term borrowing		(107,810)		(105,924)	
Long-term finance lease liability		(1,851)		(1,700)	
TOTAL FINANCIAL LIABILITIES		**(154,577)**		**(142,449)**	

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

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	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31 March	31 March	31 March	31 March
	Level	2018	2018	2019	2019
		£'000	£'000	£'000	£'000
Financial assets held at fair value:					
Money market funds	1	9,253	9,250	9,440	9,440
Property funds	1	0	0	9,552	9,552
Financial assets held at amortised cost:					
Covered bonds	1	1,991	1,991	0	0
Bank deposits	2	11,162	11,162	15,261	15,261
Loans to local authorities	2	25,025	25,025	0	0
Treasury Stock	1	17	17	17	17
TOTAL		**47,448**	**47,445**	**34,270**	**34,270**
Assets for which fair values is not disclosed		15,617		16,272	
TOTAL FINANCIAL ASSETS		**63,065**		**50,542**	
Recorded on Balance Sheet as:					
Long-term debtors		4,101		4,139	
Long-term investments		17		17	
Short-term debtors		11,516		12,133	
Short-term investments		35,028		19,567	
Cash and cash equivalents		12,403		14,686	
TOTAL FINANCIAL ASSETS		**63,065**		**50,542**	

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

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

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement.

NOTE 17a – FINANCIAL INSTRUMENTS (continued)

The changes made on transition to the Balance Sheet are summarised below:

	IAS 39 31.3.18	Reclassi-fication	Expected Credit Loss	IFRS 9 1.4.18
	£'000	£'000	£'000	£'000
FINANCIAL ASSETS				
Investments				
L&R/Amortised cost	35,045	0	(3)	**35,042**
Total investments	**35,045**	**0**	**(3)**	**35,042**
Debtors				
L&R/Amortised cost	11,516	0	0	**11,516**
Total debtors	**11,516**	**0**	**0**	**11,516**
Cash & cash equivalents				
L&R/Amortised cost	12,403	(9,250)	(1)	**3,152**
FVPL	0	9,250	0	**9,250**
Total cash & equivalents	**12,403**	**0**	**(1)**	**12,402**
TOTAL FINANCIAL ASSETS	**58,964**	**0**	**(4)**	**58,960**
FINANCIAL LIABILITIES				
Borrowing				
Amortised cost	(118,675)	0	0	**(118,675)**
Creditors				
Amortised cost	(33,909)	0	0	**(33,909)**
Provisions				
Lease payables	(1,993)	0	0	**(1,993)**
TOTAL FINANCIAL LIABILITIES	**(154,577)**	**0**	**0**	**(154,577)**
NET FINANCIAL ASSETS	**(95,613)**	**0**	**(4)**	**(95,617)**

NOTE 17a – FINANCIAL INSTRUMENTS (continued)

	IAS 39 31.3.18	Impairment	IFRS 9 1.4.18
	£'000	£'000	£'000
RESERVES			
Usable Reserves			
General Fund	(52,389)	4	(52,385)
Capital Receipts Reserve	(1,729)	0	(1,729)
Capital Grants Unapplied	(2,102)	0	(2,102)
Total usable reserves	**(56,220)**	**4**	**(56,216)**
Unusable Reserves			
Revaluation Reserve	(76,405)	0	(76,405)
Available For Sale Financial Instruments Reserve	170	0	170
Capital Adjustment Account	(187,522)	0	(187,522)
Financial Instruments Adjustment Account	743	0	743
Pensions Reserve	226,981	0	226,981
Accumulated Absences Account	3,387	0	3,387
Total unusable reserves	**(32,646)**	**0**	**(32,646)**
TOTAL RESERVES	**(88,866)**	**4**	**(88,862)**

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

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

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 2018/19 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 £60m 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 2019. The administration is ongoing, but it is likely that the full amount should eventually be recovered.

The Council does not hold collateral security against any investments.

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

	Short-Term	
Credit Rating	**31 March 2018 £'000**	**31 March 2019 £'000**
AAA	4,991	0
AA+	0	0
AA	3,000	0
AA-	13,000	2,005
A+	0	2,004
A	4,000	4,002
A-	0	2,004
Unrated building societies	1,000	0
Unrated local authorities	9,000	0
Total	**34,991**	**10,015**
Pooled funds	0	9,552
Total Investments	**34,991**	**19,567**

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 150% 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 2019, £4,181 (2018: £4,098) 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 2018		31 March 2019
£'000		£'000
5,164	Less than a year	5,162
2,061	Over a year	1,913
7,225		**7,075**

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 2018	31 March 2019
	£'000	**£'000**
Less than 1 year	10,333	2,236
Over 1 but not over 2	2,236	1,577
Over 2 but not over 5	4,590	4,195
Over 5 but not over 10	17,128	16,244
Over 10 but not over 20	32,792	34,612
Over 20 but not over 30	7,511	5,744
Over 30 but not over 40	17,986	27,352
Over 40	25,567	16,200
Total	**118,143**	**108,160**

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:

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

- 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 2019, 100% (2018: 100%) of net principal borrowed (*i.e.* debt net of investments) was exposed to fixed rates and 0% to variable rates.

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

	31 March 2018	31 March 2019
	£'000	£'000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	31	20
Impact on Surplus or Deficit on the Provision of Services	**31**	**20**
Change in fair value of fixed rate investment assets	0	(9)
Impact on Other Comprehensive Income and Expenditure	**0**	**(9)**
Change in fair value of fixed rate borrowings / liabilities*	(25,393)	(24,192)

*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 £10m. A 5% fall in commercial property prices at 31 March 2019 would result in a £0.5m (2018: £0m) 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 2018	31 March 2019
	£'000	£'000
Trade receivables	10,837	11,754
Prepayments	788	569
Other receivable amounts	45,449	43,511
Total	**57,074**	**55,834**

Following adjustments to the Code of Practice, the 2017/18 figures have been re-categorised within the total figures to comply with the new requirements.

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 2018	31 March 2019
	£'000	£'000
Less than one year	1,346	1,682
More than one year	586	584
Total	**1,932**	**2,266**

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 2018	31 March 2019
	£'000	£'000
Cash in Hand	13	15
Bank Current Accounts	45	47
Call Accounts	12,345	14,624
Cash and Cash Equivalents	**12,403**	**14,686**
Bank Overdraft	(45,538)	(30,573)
Total	**(33,135)**	**(15,887)**

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 £22.6m (£37m at 31 March 2018).

NOTE 20 – ASSETS HELD FOR SALE

	2017/18	2018/19
	£'000	£'000
Balance 1 April	**148**	**73**
Assets newly classified as held for sale:		
Property, Plant and Equipment	0	0
Expenditure in year	0	0
Revaluation Losses	0	0
Impairment Losses	0	0
Assets declassified as held for sale:		
Property, Plant and Equipment	0	0
Assets sold	(75)	0
Balance 31 March	**73**	**73**

NOTE 21 – SHORT-TERM CREDITORS

	31 March 2018	31 March 2019
	£'000	£'000
Trade payables	34,051	32,055
Other payables	22,522	21,225
Total	**56,573**	**53,280**

Following adjustments to the Code of Practice, the 2017/18 figures have been re-categorised within the total figures to comply with the new requirements.

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 2018 £'000	(Addition) / Reduction / Transfer £'000	Used during the year £'000	Balance at 31 March 2019 £'000
Short-term Provisions				
Waste Sites Provision	(257)	(323)	302	(278)
	(257)	**(323)**	**302**	**(278)**
Long-term Provisions				
Waste Sites Provision	(7,335)	(235)	0	(7,570)
Third Party Claims Provision	(93)	69	0	(24)
MMI Insurance Provision	(91)	0	0	(91)
	(7,519)	**(166)**	**0**	**(7,685)**
Total	**(7,776)**	**(489)**	**302**	**(7,963)**

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 2018		31 March 2019
£'000		£'000
76,405	Revaluation Reserve	84,835
187,522	Capital Adjustment Account	191,010
(170)	Financial Instruments Revaluation Reserve	(618)
(743)	Financial Instruments Adjustment Account	(687)
(226,981)	Pensions Reserve	(298,514)
(3,387)	Accumulated Absences Account	(3,870)
32,646	**Total Unusable Reserves**	**(27,844)**

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.

2017/18		2018/19
£'000		£'000
71,974	**Balance 1 April**	**76,405**
10,889	Upward revaluation of assets	14,951
(5,076)	Downward revaluation of assets and impairment losses	(4,625)
5,813	**Surplus/(deficit) on revaluation of assets**	**10,326**
(1,232)	Difference between fair value depreciation and historical cost depreciation	(1,411)
(150)	Accumulated gains on assets sold	(485)
(1,382)	**Amount written off to the Capital Adjustment Account**	**(1,896)**
76,405	**Balance 31 March**	**84,835**

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.

2017/18		2018/19
£'000		£'000
187,120	**Balance 1 April**	**187,522**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(19,721)	Charges for depreciation and impairment of non-current assets	(16,591)
(3,892)	Revenue Expenditure funded from Capital under Statute	(3,540)
(637)	Adjustment to non-current balance on the sale of assets	(394)
1,232	Transfer from Capital Revaluation Reserve	1,411
	Capital financing applied in the year:	
1,384	Capital Receipts	161
11,255	Grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	10,684
5,547	Revenue provision for the financing of supported capital investment	5,505
3,120	Capital expenditure charged in year against the General Fund	4,191
2,114	Capital receipts set aside / Revenue provision for the financing of unsupported capital investment	2,061
187,522	**Balance 31 March**	**191,010**

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.

2017/18		2018/19
£000		£000
(17)	**Balance 1 April**	**(170)**
0	Fair Value Adjustment	(448)
(153)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
(170)	**Balance 31 March**	**(618)**

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:

2017/18 £000		2018/19 £000
(760)	**Balance 1 April**	**(743)**
46	Proportion of premiums incurred in previous years charged to General Fund in accordance with statute	46
(29)	Deferred credit for receipt of charges due from people under care	10
(743)	**Balance 31 March**	**(687)**

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.

2017/18 £000		2018/19 £000
(235,413)	**Balance 1 April**	**(226,981)**
22,330	Remeasurements of the net defined benefit (liabilities) / assets	(48,870)
(41,757)	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	(43,015)
27,859	Employer's pensions contributions and direct payments to pensioners payable in the year	20,352
(226,981)	**Balance 31 March**	**(298,514)**

23.6 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement

NOTE 23 – UNUSABLE RESERVES (continued)

carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18 £000		2018/19 £000
(3,935)	**Balance 1 April**	**(3,387)**
548	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	(483)
(3,387)	**Balance 31 March**	**(3,870)**

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

2017/18 £'000		2018/19 £'000
(14,221)	Depreciation	(14,776)
(5,500)	Impairment and downward valuations	(1,815)
248	(Increase)/Decrease in Creditors	4,514
2,178	Increase/(Decrease) in Debtors	(1,252)
(221)	Increase/(Decrease) in Stock	186
(13,898)	Pension Liability	(22,663)
(786)	Carrying amount of non-current assets sold or de-recognised	(878)
(2,998)	Other non-cash items charged to net surplus/deficit on the provision of services	(3,663)
(35,198)		**(40,347)**

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

2017/18 £'000		2018/19 £'000
0	Purchase of short-term and long-term investments	(5)
240	Proceeds from sale of property, plant, equipment, investment property and intangible assets	704
240		**699**

NOTE 24c – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2017/18 £'000		2018/19 £'000
(218)	Interest received	(325)
5,410	Interest paid	5,286

NOTE 25 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2017/18 £'000		2018/19 £'000
20,431	Purchase of property, plant and equipment, investment property and intangible assets	19,717
409,330	Purchase of short-term and long-term investments	80,000
3,900	Other payments for investing activities	3,571
(216)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(694)
(402,341)	Proceeds from short-term and long-term investments	(94,990)
31,104	**Net cash flows from investing activities**	**7,604**

NOTE 26a – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2017/18 £'000		2018/19 £'000
134	Cash payments for the reduction of the outstanding liability relating to a finance lease	142
(7,197)	Repayments of short-term and long-term borrowing	9,981
(7,063)	**Net cash flows from financing activities**	**10,123**

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

	1 April 2018 £'000	Financing cash flows £'000	Non-cash changes £'000	31 March 2019 £'000
Long-term borrowings	(107,810)	1,886	0	(105,924)
Short-term borrowings	(10,865)	8,095	0	(2,770)
On balance sheet PFI liabilities	(1,993)	142	0	(1,851)
Total liabilities from financing activities	**(120,668)**	**10,123**	**0**	**(110,545)**

NOTE 27 – EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2017/18 £'000	Expenditure / Income	2018/19 £'000
	Expenditure	
178,611	Employee benefits expenses	176,143
159,266	Other Services expenses	180,378
2,922	Support Services recharges	944
23,634	Depreciation, amortisation, impairment	20,152
12,360	Interest Payments	12,459
21,417	Precepts and Levies	22,578
546	Loss on the disposal of assets	174
398,756	**Total Expenditure**	**412,828**
	Income	
(50,785)	Fees, charges and other service income	(60,048)
(211)	Interest and investment income	(307)
(117,059)	Income from council tax and non-domestic rates	(124,681)
(215,300)	Government grants and contributions	(223,119)
(383,355)	**Total Income**	**(408,155)**
15,401	**(Surplus)/Deficit on the Provision of Services**	**4,673**

NOTE 28 – AGENCY SERVICES

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

- Houses into Homes – closing balance £380k (£521k in 2017/18)
- Houses into Homes 2 – closing balance £415k (£396k in 2017/18)
- Home Improvement Loans – closing balance £315k (£315k in 2017/18)
- Supporting Town Centre Regeneration in Caernarfon – closing balance £153k (£228k in 2017/18)
- Caernarfon and Bangor Town Centre Scheme – closing balance £745k (£800k in 2017/18)
- Bangor and Bethesda Town Centre Scheme – closing balance £475k (£500 in 2017/18).

The Council also administers the North and Mid Wales Trunk Road Agency on behalf of the Welsh Government. The principal area of work is managing and maintaining the trunk road network in the North and Mid Wales Council's Partnership region that extends to 1,100 kilometres. The income transactions recovered during 2018/19 were £55.5m (£54.5m in 2017/18).

NOTE 29 – MEMBERS' ALLOWANCES

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

2017/18 £'000		2018/19 £'000
1,255	Allowances	1,281
61	Expenses	67
1,316		**1,348**

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.

2017/18			Chief Officers	2018/19			
Salary	Employer's Pension Contributions	Total		Salary	Employer's Pension Contributions	Other Employer Costs	Total
£	£	£		£	£	£	£
109,811	24,598	134,409	Chief Executive	112,168	25,126		137,294
92,036	20,616	112,652	Corporate Director	94,013	21,059		115,072
92,036	20,616	112,652	Corporate Director	94,013	21,059		115,072
71,950	16,117	88,067	Head of Education [1]	81,369	18,227		99,596
17,737	3,973	21,710	Head of Education (previous holder) [2]				
78,122	17,499	95,621	Head of Finance	79,800	17,875		97,675
73,485	16,461	89,946	Head of Highways and Municipal [3]	33,577	7,521	98,477	139,575
			Head of Highways and Municipal (Temporary) [4]	42,414	9,501		51,915
72,692	16,283	88,975	Head of Adults, Health and Wellbeing	74,563	16,702		91,265
72,692	16,283	88,975	Head of Economy & Community	74,254	16,633		90,887
72,692	16,283	88,975	Head of Children and Families	74,254	13,985		88,239
69,058	15,469	84,527	Head of Environment	72,398	16,217		88,615
69,058	15,469	84,527	Head of Corporate Support	72,398	16,217		88,615
61,406	13,755	75,161	Head of Gwynedd Consultancy	62,725	14,050		76,775

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

1. Holder in post on a temporary basis since May 2017, and permanently since November 2017.
2. Holder in post until 31 May 2017. 80% of his salary and other remuneration was recharged to GwE.
3. Holder in post until 31 August 2018.
4. Holder in post on a temporary basis since September 2018.

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 2018/19 is 6.37 : 1 (6.70 : 1 in 2017/18).

NOTE 30 – OFFICERS' REMUNERATION (continued)

30c. Other Authority employees receiving more than £60,000 remuneration for the year (excluding employer's pension and national insurance contributions) were paid the following amounts but which include termination benefits paid in two cases in 2018/19 and two cases in 2017/18. 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 2017-18				Number in 2018-19		
Schools	**Other**	**Total**		**Schools**	**Other**	**Total**
9	2	11	£60,000 - 64,999	11	2	13
4	1	5	£65,000 - 69,999	2	0	2
7	0	7	£70,000 - 74,999	6	0	6
0	1	1	£75,000 - 79,999	3	1	4
2	0	2	£80,000 - 84,999	0	0	0
0	0	0	£85,000 - 89,999	1	0	1
0	0	0	£90,000 - 94,999	0	0	0
1	0	1	£95,000 - 99,999	1	0	1

NOTE 31 – EXTERNAL AUDIT COSTS

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

2017/18		**2018/19**
£'000		**£'000**
182	Fees payable to auditors appointed by the Auditor General for Wales with regard to external audit services	182
100	Fees payable to auditors appointed by the Auditor General for Wales in respect of statutory inspections	100
89	Fees payable to auditors appointed by the Auditor General for Wales for the certification of grant claims and returns for the year	38
371		**320**
(2)	**Less:** Fees payable to auditors appointed by the Auditor General for Wales in respect of Joint Committees and Harbour Accounts	(1)
(9)	**Less:** Adjustment for 2016/17 statutory audit fees	0
360	**Gwynedd Council Net Fees**	**319**

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	2017/18 £'000		2018/19 £'000	
Credited to Taxation and Non-specific Grant Income					
Revenue Support Grant (Non-ring-fenced Government Grants)	13		128,505		134,936
Government Revenue Grants and Contributions - Other			413		176
Government Capital Grants and Contributions -					
21st Century Schools		1,629		2,288	
General Capital Grant		2,525		4,855	
Other		4,852		5,526	
	13		9,006		12,669
Other Capital Grants and Contributions	13		2,033		912
Total			**139,957**		**148,693**
Grants and Contributions Credited to Services					
Welsh Government -					
Supporting People Grant (SPPG)		4,992		5,075	
Improvement and Deprivation Grants (Education)		7,533		7,305	
Sustainable Waste Management Grant		3,414		1,142	
Post-16 Grant (Education)		3,387		3,180	
Other		15,840		15,799	
			35,166		32,501
Other Government Grants and Contributions -					
Department for Work and Pensions		29,790		29,800	
Other		12,833		13,213	
			42,623		43,013
Other Grants and Contributions			4,789		4,040
Total			**82,578**		**79,554**

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:

Grants Received in Advance	31 March 2018 £'000	31 March 2019 £'000
Long-term		
Revenue Grants and Contributions		
Regulatory (Planning, Transport and Public Protection) Grants	843	0
	843	0
Capital Grants and Contributions		
Highways and Municipal Capital Contributions	1,373	1,227
Regulatory (Planning, Transport and Public Protection) Grants	353	335
	1,726	1,562
Total Long-term	**2,569**	**1,562**
Short-term		
Revenue Grants and Contributions		
Economy and Community Grants	287	309
Regulatory (Planning, Transport and Public Protection) Grants	446	0
Adults, Health and Wellbeing Grants	682	702
Other Grants	115	76
	1,530	1,087
Capital Grants and Contributions	257	531
Total Short-term	**1,787**	**1,618**
Total	**4,356**	**3,180**

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 personal declaration wasn't returned by one Council Member. The total of members' allowances paid in 2018/19 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 2018/19 and balances at 31 March 2019 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£'000	£'000	£'000
14,250	527	(2,892)

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 2018/19 and balances at 31 March 2019 is as follows:

Payments made	Amounts owed by the Council	Amounts owed to the Council
£'000	£'000	£'000
3,134	44	(607)

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 2018/19 and balances at 31 March 2019 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£'000	£'000	£'000
1,692	50	(184)

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 on pages 74 to 79.

Welsh Joint Education Committee (WJEC)
WJEC was established in 1948 as a consortium of local education authorities in Wales. Now, WJEC CBAC Limited is a company limited by guarantee, registered in England and Wales and is a registered independent charity managed by a Board of Directors and Senior Management Team. The Education Department has a Service Level Agreement with WJEC to produce and publish educational resources and provide professional development support.

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£'000	£'000	£'000
647	1	0

Entities Controlled or Significantly Influenced by the Authority
Cwmni Cynnal Cyf. was established in 1996 to provide education support services under contract to maintained schools and the local education authorities as well as school inspection services to Estyn. The company is limited by guarantee and the Council's liability is limited to £1. The income of the company can only be applied towards promotion of its objectives. Copies of the financial statements are available from Cwmni Cynnal, Penrallt, Caernarfon, Gwynedd, LL55 1BN. Payments to Cwmni Cynnal during 2018/19 for services to schools and balances at 31 March 2019 are as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£'000	£'000	£'000
1,074	28	0

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 2018 £'000		31 March 2019 £'000
440,928	Non-current Assets	453,611
(76,405)	Revaluation Reserve	(84,835)
(187,522)	Capital Adjustment Account	(191,010)
177,001	**Capital Financing Requirement**	**177,766**

NOTE 34 – CAPITAL EXPENDITURE AND CAPITAL FINANCING (continued)

The movement in the year is explained as follows:

2017/18		2018/19
£'000		£'000
177,037	**Capital Financing Requirement 1 April**	**177,001**
7,020	Land and Buildings	7,531
4,355	Infrastructure	5,850
2,591	Vehicles, Plant and Equipment	5,189
0	Community Assets	16
3	Surplus Assets	40
5,523	Assets under construction	1,201
3,892	Funded from capital under statute	3,540
(1,384)	Capital Receipts used	(161)
(11,255)	Government Grants and other contributions	(10,684)
(3,120)	Capital expenditure charged to revenue	(4,191)
(5,547)	Revenue provision for the financing of supported capital investment	(5,505)
	Additional voluntary sums set aside:	
(2,114)	Capital receipts set aside / Revenue provision for the financing of unsupported capital investment	(2,061)
177,001	**Capital Financing Requirement 31 March**	**177,766**

NOTE 35 – LEASES

Authority as Lessee

Finance Leases

The Council has property under finance leases which are carried as Property, Plant and Equipment in the Balance Sheet. Included here is the GwyriAD Service Concession Arrangements (Note 41) at the following net amount:

31 March		31 March
2018		2019
£'000		£'000
3,738	Property, Plant and Equipment	3,489
3,738		**3,489**

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 2018 £'000		31 March 2019 £'000
	Finance Lease Liabilities (net present value of minimum lease payments):	
142	Current	151
1,851	non-current	1,700
1,993	Minimum lease payments	**1,851**

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 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
No later than one year	142	151	142	151
Later than one year and not later than five years	662	703	662	703
Later than five years	1,189	997	1,189	997
	1,993	**1,851**	**1,993**	**1,851**

In 2018/19, minimum lease payments were made by the Council of £142,205 (£133,947 in 2017/18) in respect of those assets held as a finance lease.

Operating Leases

	31 March 2018 £'000	31 March 2019 £'000
No later than one year	402	435
Later than one year and not later than five years	449	540
Later than five years	115	287
	966	**1,262**

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

	2017/18 £'000	2018/19 £'000
Minimum lease payments	596	591
	596	**591**

NOTE 35 – LEASES (continued)

Authority as Lessor

Finance Leases

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

- The Sailing Academy in Pwllheli,
- Rhyd Ddu Centre

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

Operating Leases

The 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 2018 £'000	31 March 2019 £'000
No later than one year	336	392
Later than one year and not later than five years	511	1,074
Later than five years	2,819	4,102
	3,666	**5,568**

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 2018/19 £956,540 minimum lease payments were receivable by the Council (£930,904 in 2017/18).

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 2019 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	
£	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £'000	2018/19 £'000
0 - 20,000	69	84	15	5	**84**	**89**	331	214
20,001 - 40,000	10	6	7	2	**17**	**8**	489	229
40,001 - 60,000	1	2	2	1	**3**	**3**	161	150
60,001 - 80,000	1	0	4	0	**5**	**0**	337	0
80,001 - 100,000	0	0	2	4	**2**	**4**	172	359
100,001 - 150,000	0	0	2	0	**2**	**0**	215	0
Adjustment to previous year's estimate							0	(1)
Total	**81**	**92**	**32**	**12**	**113**	**104**	**1,705**	**951**

NOTE 37 – PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

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

In 2018/19 the Council paid £6.75m (£6.63m in 2017/18) in respect of teachers' pension costs, which represented 16.10% (16.07% in 2017/18) 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 2018/19 these amounted to £1.26m (£1.54m in 2017/18) representing 3.01% (3.74% in 2017/18) 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 Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments. These need to be disclosed at the time that employees earn their future entitlement.

Gwynedd Council participates in two post-employment schemes:

a) **The Local Government Pension Scheme** administered locally by Gwynedd Council. This is a funded defined benefit scheme based on final salary for service up to 31 March 2014, and based on a career average salary from 1 April 2014. The Council and the employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

b) **Arrangements for the award of discretionary post-retirement benefits upon early retirement.** This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The Gwynedd Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Gwynedd Council. Policy is determined in accordance with the Local Government Pensions Scheme Regulations. In the past the investment managers of the fund have been appointed by the Gwynedd Pension Fund Committee. As the investments are transferred to the Wales Pension Partnership (WPP) the managers will be appointed by the partnership.

The principal risks to the Council 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 Council 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 2018			Period ended 31 March 2019		
	Assets	Liabilities	Net (liability) /asset	Assets	Liabilities	Net (liability) /asset
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Plan Assets	649,714	0	649,714	682,876		682,876
Present Value of Funded Liabilities	0	(856,715)	(856,715)	0	(882,416)	(882,416)
Present Value of Unfunded Liabilities	0	(28,412)	(28,412)	0	(27,441)	(27,441)
Opening Position at 1 April	**649,714**	**(885,127)**	**(235,413)**	**682,876**	**(909,857)**	**(226,981)**
Service Cost						
Current Service Cost*	0	(34,926)	(34,926)	0	(36,511)	(36,511)
Past Service Costs (including curtailments)	0	(594)	(594)	0	(141)	(141)
Total Service Cost	**0**	**(35,520)**	**(35,520)**	**0**	**(36,652)**	**(36,652)**
Net interest						
Interest Income on Plan Assets	17,021	0	17,021	18,464	0	18,464
Interest Cost on Defined Benefit Obligation	0	(23,258)	(23,258)	0	(24,827)	(24,827)
Total Net Interest	**17,021**	**(23,258)**	**(6,237)**	**18,464**	**(24,827)**	**(6,363)**
Total Defined Benefit Cost Recognised in Profit/(Loss)	**17,021**	**(58,778)**	**(41,757)**	**18,464**	**(61,479)**	**(43,015)**
Cash flows						
Plan participants' contributions	5,269	(5,269)	0	5,701	(5,701)	0
Employer contributions	24,531	0	24,531	17,158	0	17,158
Contributions in respect of unfunded benefits	1,695	0	1,695	1,703	0	1,703
Benefits Paid	(18,937)	18,937	0	(19,939)	19,939	0
Unfunded Benefits Paid	(1,695)	1,695	0	(1,703)	1,703	0
Expected Closing Position	**677,598**	**(928,542)**	**(250,944)**	**704,260**	**(955,395)**	**(251,135)**
Remeasurements						
Change in demographic assumptions	0	0	0	0	0	0
Change in financial assumptions	0	18,801	18,801	0	(84,177)	(84,177)
Other experience	0	(116)	(116)	0	(937)	(937)
Return on Assets excluding amounts included in net interest	5,278	0	5,278	37,735	0	37,735
Total remeasurements recognised in Other Comprehensive Income (OCI)	**5,278**	**18,685**	**23,963**	**37,735**	**(85,114)**	**(47,379)**
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)
Closing Position at 31 March	**682,876**	**(909,857)**	**(226,981)**	**741,995**	**(1,040,509)**	**(298,514)**

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

** This liability comprises approximately £10,432,000 in respect of LGPS unfunded pensions and £17,374,000 in respect of Teachers' unfunded pensions. For unfunded liabilities as at 31 March 2019, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

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 2018. The split is shown in the table below. The actuary estimates the bid value of the Fund's assets as at 31 March 2019 to be £2.090m based on information provided by the administering authority and allowing for index returns where necessary.

Fair Value of Employer Assets

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

Asset Category	At 31 March 2018				At 31 March 2019			
	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total		Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equity Securities								
Consumer	20,282	0	20,282	3	18,465	0	18,465	3
Manufacturing	22,403	0	22,403	3	22,213	0	22,213	3
Energy and Utilities	2,139	0	2,139	0	0	0	0	0
Financial Institutions	12,080	0	12,080	2	8,659	0	8,659	1
Health and Care	34,675	0	34,675	5	47,442	0	47,442	6
Information Technology	25,962	0	25,962	4	12,980	0	12,980	2
Other	2,355	0	2,355	0	25,194	0	25,194	3
Private Equity								
All	0	26,556	26,556	4	0	40,280	40,280	5
Debt Securities								
Other	0	99,269	99,269	14	0	107,817	107,817	15
Real Estate								
UK Property	15,953	36,155	52,108	8	23,594	44,250	67,844	9
Overseas Property	0	630	630	0	0	393	393	0
Investment Funds and Unit Trusts								
Equities	138,639	208,134	346,773	51	144,365	212,650	357,015	48
Bonds	0	0	0	0	0	0	0	0
Infrastructure	0	11,927	11,927	2	0	14,607	14,607	2
Cash and Cash Equivalents								
All	25,717	0	25,717	4	19,086	0	19,086	3
Total	**300,205**	**382,671**	**682,876**	**100**	**321,998**	**419,997**	**741,995**	**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.

NOTE 38 – PENSION COSTS (continued)

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

	31 March 2018	31 March 2019
Financial Assumptions	**% p.a.**	**% p.a.**
Pensions Increase Rate	2.4	2.5
Salary Increase Rate*	2.4	2.5
Inflation Rate	2.4	2.5
Discount Rate	2.7	2.4
Long-term expected rate of return on all categories of assets	2.7	2.4
Take-up option to convert annual pension into retirement lump sum		
for pre-April 2008 service	50	50
for post-April 2008 service	75	75
Mortality assumptions	**Years**	**Years**
Longevity at 65 for current pensioners		
Men	22.0	22.0
Women	24.2	24.2
Longevity at 65 for future pensioners		
Men	24.0	24.0
Women	26.4	26.4

*For unfunded liabilities as at 31 March 2019, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension at the date of the member's death.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2019 on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided in this note.

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

Impact on the Defined Benefit Obligation in the Scheme		
Change in assumption	**Approximate increase to Defined Benefit Obligation 31 March 2019**	**Approximate monetary amount 31 March 2019**
	%	**£'000**
0.5% decrease in real discount rate	11	117,272
0.5% increase in the salary increase rate	2	20,412
0.5% increase in the pension increase rate	9	94,705

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

Impact on the Council's Cash Flows

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

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

Information about the Defined Benefit Obligation

	Liability Split 31 March 2019		**Weighted Average Duration**
	£'000	**%**	
Active Members	593,673	58.6	24.7
Deferred Members	152,899	15.1	25.3
Pensioner Members	266,131	26.3	12.0
Total	**1,012,703**	**100.0**	**19.6**

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 2016.

Impact in Future Years

The total contributions expected to be made to the Local Government Pensions Scheme by the Council in the year to 31 March 2020 are £16.9m.

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 £1,490,826 has been made in 2018/19 (£1,632,772 in 2017/18) 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 Legal Judgement

When the Local Government Pension Scheme (LGPS) benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The 'underpin' ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. On 27 June 2019 the Supreme Court denied the UK Government permission to appeal. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) which means benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation.

Our Actuary has advised that since Gwynedd Fund's salary growth assumption at the 2016 valuation were equal to the Consumer Price Index (CPI), the final salary and Career Average Revalued Earnings (CARE) benefits are in line, therefore the results of the McCloud case have no impact on the stated liabilities in Gwynedd Council's 2018/19 accounts.

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 continue with the provision in the expectation that the original levy will be inadequate. The current related estimated maximum potential liability to this authority is in the order of up to almost £850,000.

NOTE 40 – TRUSTS

The Council acts as sole trustee for 172 bequests such as school prize funds, and comforts and improvements funds for numerous Council Establishments. The largest fund, the Welsh Church Fund, has a completely separate accounting ledger, whereas the Council holds the property for 171 of these bequests but makes no decision on the fund's use. In every case, the funds do not represent the assets of the Council and therefore they have not been included in the Balance Sheet.

The total balance of the 171 bequests derecognised from the Council's Balance Sheet at 31 March 2019 was £972,101 (£875,560 on 31 March 2018). 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

Prosiect GwyriAD 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 £3.5m as at 31 March 2019 (£3.7m as at 31 March 2018). 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 2018/19	498	142	123	763
Payable in 2019/20	498	151	114	763
Payable within 2 to 5 years	1,991	703	357	3,051
Payable within 6 to 10 years	2,198	997	174	3,369
Payable within 11 to 15 years	0	0	0	0
Total	**5,185**	**1,993**	**768**	**7,946**

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

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

NOTE 41 – SERVICE CONCESSION ARRANGEMENTS (continued)

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

	2018/19	
	Lease Liability	**Deferred Income**
	£'000	**£'000**
Balance outstanding at 1 April 2018	(1,993)	(1,518)
Repayment of principal during the year	142	0
Release of deferred income	0	145
Balance outstanding at 31 March 2019	**(1,851)**	**(1,373)**

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 – JOINT OPERATIONS AND JOINT COMMITTEES

The Council currently participates in a number of joint operations with neighbouring North Wales authorities.

During the year 2018/19, 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 2018/19 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 Financial 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 Anglesey County Council	50%	242
GwE	Gwynedd Council	Conwy County Borough Council Denbighshire County Council Cyngor Sir y Fflint Gwynedd Council Anglesey County Council Wrexham County Borough Council	17.61%	725
North Wales Residual Waste Treatment Project	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Anglesey County Council	20%	20
North Wales Economic Ambition Board[1]	Gwynedd Council	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%	5

[1] The formal start date of the North Wales Economic Ambition Board was 1 February 2019. Therefore the 2018/19 accounts include the transactions for the period of 2 months from 1 February 2019 to 31 March 2019.

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

NOTE 43 – EVENTS AFTER THE BALANCE SHEET DATE

There are no known events after the balance sheet date to report.

THE WELSH CHURCH FUND

2017/18 £'000		2018/19 £'000	£'000
952	**Amount of Fund at 1 April**		930
	Add - Income during the year:-		
4	Interest on Investments		8
	Less - Expenditure during the year:-		
(22)	Decrease in the land value	0	
(11)	Grants and expenses	(8)	
7	Transferring Gwynedd's (Under) / Overspend	0	
			(8)
930	**Amount of Fund at 31 March**		**930**
	Represented by the following Assets:-		
315	Land and Buildings		0
22	Debtors		24
1,804	Cash in Hand		1,805
2,141			1,829
(1,203)	**Less -** Proportion owing to Anglesey and Conwy Councils		(891)
938			938
(13)	**Less -** Creditors		(18)
5	**Add -** Proportion owing from Anglesey and Conwy Councils		10
930	**Total**		**930**

NOTES TO THE ACCOUNTS

1. The Scheme for the administration of the Fund provides that the income be applied for charitable purposes - educational, recreational and social, at the discretion of the Council.

2. The Charities Act 1993 requires that an independent examination of the statement of accounts of the Welsh Church Fund be carried out annually.

3. In 2018/19, the assets relating to Anglesey Council and Conwy Council was 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 based on the following allocation:

Gwynedd	44%
Anglesey	38%
Conwy	18%

FMG MORGAN TRUST FUND

2017/18 £'000		2018/19 £'000
174	**Amount of Fund at 1 April**	182
	Add - Income during the year	
11	Interest on Assets	13
	Less - Expenditure during the year	
(3)	Grants	(6)
182	**Amount of Fund at 31st March**	**189**
	Assets	
144	Investments	145
38	Cash in Hand	44
182		**189**

NOTES TO THE ACCOUNTS

1. This Fund was established from the residuary estate of the late Mrs. Florence Merthyr Guest Morgan. The income from the Fund was to be applied to aid residents of certain areas of Llŷn for specified purposes.

2. The investments are shown in accounts at cost. The market value of the investments at 31 March 2019 was £351,837 (£347,947 at 31 March 2018).

3. The FMG Morgan Trust Fund is outside the provisions of the Charities Act 1993. No independent examination or audit is therefore required in respect of this trust fund.

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 2019 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**

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 a plan for the year 2019/20 has been established to ensure that this training is 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 there is evidence that that progress is not consistent across the Council.

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.

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:

- Work is currently proceeding to respond to the requirements of the Well-being of Future Generations (Wales) Act 2015 that facilitates collaboration between Gwynedd Council, other nearby unitary councils, the Police, the Health Board, the third sector and others.
- 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.

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 establigh 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).

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 (2019/20 review) was approved by the Full Council of Gwynedd on 7 March 2019. 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 Management Group has received an explanation of the principles of the Act and have agreed that the best way for this to root is for the Departmental Management Teams to pay attention to the principles when planning ahead.
- Reports that come before the Cabinet are forwarded beforehand to the Corporate Support Department to be reviewed to keep an eye out for areas where perhaps those principles have not been followed as well as they could have been.

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.

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	3	**9**

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:

- The Council had an Assets Strategy in place for the period 2009-2018 that was regularly updated. The result is that a number of buildings that were not required any more have been disposed of. A new Assets Strategy is being prepared for 2019-2028.
- In terms of vehicles, a plan has been implemented to try and make better use of the Council's fleet that has already presented some financial savings and is likely to achieve more.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	**4**

Information Technology Assets

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

Assessment:

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 Information Technology Strategy in place for 2018/19 tried to extend the use made of technology in order to support the improvement aims in the Strategic Plan, by also improving the ability of services to take advantage of the opportunities available to use technology effectively. There is an element of evidence that this is bearing fruit with self-service increasingly becoming part of using technology to make it easier for residents to receive services.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	**9**

Planning the Workforce

Risk: Council's workforce not being developed; this means that we cannot provide the best services for the people of Gwynedd

Assessment:

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

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

Current Risk Score:

Impact	Likelihood	Risk score
3	3	**9**

Leadership

Risk: Deficiencies in the Council's leadership means that we are not doing the right things

Assessment:

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

- Leadership sets the expected standard that every Member and Council employee should follow. Therefore, its impact is great – good Leadership can overcome everything else, whilst poor Leadership can destroy what the Council is trying to achieve. It is this that facilitates embedding the Council's culture.
- The roles of the Council, Cabinet, Individual Members and the Chief Officers, together with a clear scheme of delegation, are set out in the Council's Constitution. Gwynedd Council has also prioritised the development of its Leadership Programme and this is part of the People Plan adopted by the Cabinet.
- Whilst there is a clear commitment to try and continuously improve leadership, we have not always been clear regarding what this entails nor how to improve it.
- There is an element of evidence (via self-assessment) that leadership within the Council is improving with many examples of transformational leadership shown rather than transactional leadership. The increasing emphasis placed on "leading" rather than "managing" within the Ffordd Gwynedd culture is another strong indication of the strides made by Cabinet members in taking a leading role to promote good leadership by committing to their development as leaders. Furthermore, the definition of leadership within Gwynedd Council was agreed upon and is reflected in amended job descriptions for every head and manager within the Council. The commitment at the political and executive level demonstrates that these positive steps have borne fruit and that the need and the ability to lead is embedded as the norm within the Council. In light of all this, this work is considered to be something that continues to be is key, but with the recognition that it is not as great a risk as it has been in the past.

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 is 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.

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.
- 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.

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.

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 has now rolled out to almost 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 in May 2018.

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.

Current Risk Score:

Impact	Likelihood	Risk score
3	1	**3**

Accountability

Risk: Poor reporting, without transparency and unsuitable for the audience, does not highlight to the public what the Council does for them, undermining the democratic position

Assessment:

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

- The Council has provided guidelines on preparing reports and on making good decisions, in order to ensure that the reports available to the public are clear.

- As well as formal reports for making decisions, the reports produced also include the Annual Performance Report, the Council's Plan (that includes departmental business plans) and the Annual Governance Statement produced in accordance with the CIPFA/Solace framework.
- The Council produces regular reports on its financial position.
- However, despite the Council's efforts, and apart from cases where there is a fairly fundamental change in question, the number of responses to consultations suggest there is no great aspiration amongst the public to hold the Council to account.
- Monitoring of Cabinet reports will naturally continue with the Chief Executive taking a look at each one.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	**4**

Assurance

Risk: Lack of assurance and accountability that raises suspicion amongst the public regarding what the Council is doing

Assessment:

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

- There are many ways available within the Council to provide independent assurance that the Council's governance arrangements are working as they should. Statutory officers ensure that matters comply with the law and the procedures in the Constitution, whilst the Chief Executive and the Directors continually challenge whether or not the departments are doing the right things. Cabinet members also meet often to challenge each other regarding developments.
- The Audit and Governance Committee keeps an overview of the governance arrangements as well as the implementation of the external auditor's recommendations.
- Supporting this is the Internal Audit Service that operates in accordance with the statutory professional standards, namely the Public Sector Internal Audit Standards. An external assessment in 2018/19 has given independent assurance of this.
- 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.

Current Risk Score:

Impact	Likelihood	Risk score
2	3	**6**

We have been advised on the implications of the result of **the review of the effectiveness of the governance framework** by the Audit and Governance Committee, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas that have already been addressed and those which the Council will address specifically have new ongoing action plans and are outlined below.

Part 4: SIGNIFICANT GOVERNANCE ISSUES

4.1 The above scores indicate that it is not considered that any of the 22 areas of governance present a very high risk. However, there is 1 high risk and 11 medium risks.

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

HIGH RISKS

Governance Area	Response Arrangements	Department Responsible
The Council's Culture	As a result of the change of direction to conducting ongoing reviews within services rather than focusing on intensive reviews, we will reconsider the role of the Ffordd Gwynedd consultants. We will also give further attention to the follow-up support provided to existing managers after their training, with a view to providing the necessary support to those managers and their teams to drive the culture change within their individual services. This will include support for managers to ensure full awareness and understanding of the principles and implementation of Ffordd Gwynedd among members of each team. The Ffordd Gwynedd Core Group has been established to coordinate and lead on this. We will also agree on a final job description that will identify the common expectations for each of the five functions in the Council and provide a copy of the relevant job description to every employee in the Council.	Corporate Support

MEDIUM RISKS

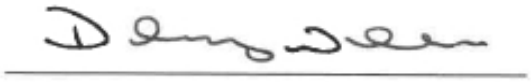
Governance Area	Response Arrangements	Department Responsible
Stakeholders	There are ongoing efforts in various areas to try to simplify a complex working relationship. However it must be acknowledged that there is only so much that can be done and there is room to question that the solution now is to try to find ways to work around the legislative barriers that have been set by the Government. We are already doing so quite successfully. Given that our relationship with the third sector is so important, the Cabinet Member for Children and Young People chairs the Third Sector Group to ensure that we get the best out of that sector.	Leadership Team and Legal
Engagement	During 2019/20 there is an intention to: •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 commission a piece of 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	The Leadership Development project has led to the development of the Cabinet and the individual members within the Cabinet over the past year, and there is a clear intention for the development workshops arranged for them to continue during the coming year. The recent resurrection of the Managers' Network, with emphasis on developing leadership skills, is a key step in changing the emphasis from a "management" to a "leadership" culture within the Council. The next series of meetings (and networking among managers) are also a key focus for this work during 2019/20. Further, during the coming year, we will focus on promoting women in leadership in an effort to increase the number of women who apply and are appointed to undertake senior responsibilities within the Council.	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. During 2019/20, assessments will be undertaken of the maturity of departments when assessing their health and safety risks.	Finance

Governance Area	Response Arrangements	Department Responsible
Information	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 of the Department's activity in supporting Ffordd Gwynedd. The team is also looking at establishing and promoting Information Standards for areas where inconsistencies exist or have arisen. 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. 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.	Corporate Support
Assurance	We will consult widely within the Council on the options to either change or adhere with the existing scrutiny arrangements during the year, with the aim of changing or confirming the arrangements before December 2019.	Corporate Support

Part 5: OPINION

We intend to take measures to deal with the above matters during next year in order to improve our governance arrangements. We are satisfied that these measures will deal with the need to improve as identified in the effectiveness review, and we will monitor their operation as part of the next annual review.



DILWYN O. WILLIAMS

CHIEF EXECUTIVE, GWYNEDD COUNCIL

DATE 18:06:19

Cllr. DYFRIG SIENCYN

LEADER, GWYNEDD COUNCIL

DATE 20/06/19

Glossary

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

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

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

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

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

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

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

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

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

CIPFA (Chartered Institute of Public Finance and Accounting) – The Professional Institute for accountants working in the public services.

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 works 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 positions, 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 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.

Reserves – An amount set aside for a specific purpose in one year and carried forward to meet future obligations.

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

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 2019 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 2018-19 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 2019 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 2018-19.

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.

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 2018-19;

- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual 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 Annual 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 seven, 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.

Anthony Barrett
For and on behalf of the Auditor General for Wales
13 September 2019

24 Cathedral Road
Cardiff
CF11 9LJ