

GwE Joint Committee
(Conwy, Denbighshire, Flintshire, Gwynedd,
Anglesey and Wrexham Councils)

STATEMENT OF
ACCOUNTS
2015/16

Finance Department
Gwynedd Council
www.gwynedd.llyw.cymru

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NARRATIVE REPORT

INTRODUCTION

The Regional School Effectiveness and Improvement Service (GwE) has been established in partnership between the six North Wales authorities, being Conwy County Borough Council, Denbighshire County Council, Flintshire County Council, Gwynedd Council, Isle of Anglesey County Council and Wrexham County Borough Council, to be accountable to the Councils and undertake the statutory function of the Councils in respect of school improvement and effectiveness. This includes the duty to monitor, challenge, provide support services for curriculum continued professional development and management of schools, and in addition provides services that can be commissioned by schools and local authorities.

Gwynedd Council has been appointed as Host Authority in implementing and maintaining the Service, and the Joint Committee of all the partners oversees the management of the service.

The GwE Joint Committee accounts for the year 2015/16 are presented here on pages 6 to 29. The Statements of Accounts are prepared in accordance with CIPFA's *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16*.

The Accounts consist of:-

- **Movement in Reserves Statement** – This statement shows the movement in year on the different reserves held by the Joint Committee, analysed into 'usable reserves' and 'unusable reserves'.
- **Comprehensive Income and Expenditure Statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. The income and expenditure has been split between the six councils as follows for 2015/16 :

Conwy	15.50%
Denbighshire	15.22%
Flintshire	22.51%
Gwynedd	17.78%
Anglesey	10.14%
Wrexham	18.85%

- **The Balance Sheet** - Sets out the financial position of the Joint Committee on 31 March 2016.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Joint Committee during 2015/16 for revenue and capital purposes.

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

REVENUE EXPENDITURE IN 2015/16

- The Comprehensive Income and Expenditure Statement on page 7 shows that the Joint Committee's gross revenue expenditure on 'Cost of Services' level was £13,924k during 2015/16, with the net position as (£220k).
- The financial out-turn position for 2015/16 was reported to the Joint Committee at its meeting on 6 July 2016. Joint Committee Members' approval was sought to transfer the £205k underspend to an earmarked reserve.

- The Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement on page 6 and 7 detail the analysis in movements for the year.

TABLE 1 - Budget and Actual Comparison Summary (Net)

Table 1 provides a budgetary performance comparison at a summary level, which is detailed further in Table 2.

	Budget	Actual	Variance
	£'000	£'000	£'000
Expenditure on Operations	14,295	13,951	(344)
Income			
Council Contributions for the core service:			
Conwy	(640)	(640)	0
Denbighshire	(628)	(628)	0
Flintshire	(929)	(929)	0
Gwynedd	(734)	(734)	0
Anglesey	(418)	(418)	0
Wrexham	(778)	(778)	0
Other Income	(10,168)	(10,029)	139
Net (Underspend)/Overspend	0	(205)	(205)

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

	Performance Report	*Transposition Adjustment	Income & Expenditure Statement
	£'000	£'000	£'000
Expenditure	13,951	(27)	13,924
Income	(14,156)	12	(14,144)
Net Cost of Services	(205)	(15)	(220)

* The adjustments in the transposition column relate to the required technical adjustments for pensions and accumulated absences and any contributions to and from reserves.

- **Material Items of Income and Expenditure**

Related Items include :-

- A movement of £2,998k on pensions, on the remeasurements of the net defined benefit liability/(assets), in line with Gwynedd Pension Fund's Actuary's assessment (Note 16).
- Increase of £6,030k in grants and contributions and equivalent expenditure (Note 21).

- **Other Issues**

- Since 2008 there have been unprecedented problems in the worldwide financial situation. Because of this general situation, it has been necessary for the Joint Committee 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 Joint Committee in 2016/17 and into the medium term.

Provisions and Reserves

The Joint Committee has provisions of £2k and earmarked reserves of £542k. These are detailed in the Balance Sheet, Movement in Reserves Statement and in Notes 9 a 14.

Pension Fund

The Joint Committee has a net liability from its share of the assets and liabilities of the Gwynedd Pension Fund, which has been calculated in accordance with International Accounting Standard 19. The Balance Sheet contains an assessment by the Fund's Actuary, Hymans, of the Joint Committee's share of the Pension Fund liability. This net liability has reduced by £1,413k to £3,231k in 2015/16. Refer to Note 25 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.

Accounting Policies

The accounting policies adopted on behalf of the Joint Committee comply with all relevant recommended accounting practices and are fully explained in the Accounting Policies set out in Note 1 of the Accounts commencing on page 10.

Changes in Accounting Policies and to the Statement of Accounts

There are no changes in the accounting policies during the 2015/16 financial year.

FURTHER INFORMATION

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

Further information relating to the accounts is available from:

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Senior Finance Manager
01286 679133

or

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Central Accountancy Unit, Finance Department
01286 679134

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

GwE JOINT COMMITTEE

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE JOINT COMMITTEE'S RESPONSIBILITIES

Gwynedd Council bears the responsibility for the arrangements and administration of the Joint Committee's financial affairs. 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 the Joint Committee'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.

22 September 2016

Councillor Eryl Williams
GwE Joint Committee Chairman

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance is responsible for the preparation of the GwE Joint Committee 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 the GwE Joint Committee at 31 March 2016 and its income and expenditure for the year then ended.



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

15 September 2016

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves'. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Joint Committee.

	Note	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Joint Committee's Reserves
		£'000	£'000	£'000	£'000	£'000
Balance 31 March 2014 carried forward		0	(777)	(777)	3,275	2,498
<u>Movement in reserves during 2014/15</u>						
(Surplus)/Deficit on provision of services		482	0	482	0	482
Other Comprehensive Income and Expenditure		0	0	0	1,420	1,420
Total Comprehensive Income and Expenditure		482	0	482	1,420	1,902
Adjustments between accounting basis and funding basis under regulations	8	(2)	0	(2)	2	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves		480	0	480	1,422	1,902
Transfers to/from Earmarked Reserves	9	(480)	480	0	0	0
(Increase)/Decrease in 2014/15		0	480	480	1,422	1,902
Balance 31 March 2015 carried forward		0	(297)	(297)	4,697	4,400
<u>Movement in reserves during 2015/16</u>						
(Surplus)/Deficit on provision of services		(71)	0	(71)	0	(71)
Other Comprehensive Income and Expenditure		0	0	0	(1,578)	(1,578)
Total Comprehensive Income and Expenditure		(71)	0	(71)	(1,578)	(1,649)
Adjustments between accounting basis and funding basis under regulations	8	(174)	0	(174)	174	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(245)	0	(245)	(1,404)	(1,649)
Transfers to/from Earmarked Reserves	9	245	(245)	0	0	0
(Increase)/Decrease in 2015/16		0	(245)	(245)	(1,404)	(1,649)
Balance 31 March 2016 carried forward		0	(542)	(542)	3,293	2,751

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – 2015/16

This statement shows the accounting cost in the year of providing the Joint Committee service in accordance with generally accepted accounting practices.

2014/15			Note	2015/16		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
2,624	0	2,624	Employees	3,053	0	3,053
6	0	6	Property	41	0	41
137	0	137	Transport	148	0	148
1,492	0	1,492	Supplies and Services	1,007	0	1,007
4,215	0	4,215	Third Party	9,675	0	9,675
0	(8,128)	(8,128)	Income	0	(14,144)	(14,144)
8,474	(8,128)	346	Cost of Services	13,924	(14,144)	(220)
0	0	0	Other Operating Expenditure	0	0	0
136	0	136	Financing and Investment Income and Expenditure	149	0	149
0	0	0	Taxation and non-specific grant income	0	0	0
8,610	(8,128)	482	(Surplus) / Deficit on Provision of Services	14,073	(14,144)	(71)
		1,420	Remeasurements of the net defined benefit liability/(assets)			(1,578)
		1,420	Other Comprehensive Income and Expenditure			(1,578)
		1,902	Total Comprehensive Income and Expenditure			(1,649)

BALANCE SHEET – 31 MARCH 2016

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Joint Committee. The net assets/(liabilities) of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee.

31 March 2015 £'000		Note	31 March 2016 £'000
11	Long-term Debtors		7
11	Long -term Assets		7
5,398	Short-term Debtors	11	1,447
0	Cash and Cash Equivalents	12	1,561
5,398	Current Assets		3,008
(762)	Bank Overdraft	12	0
(4,279)	Short-term Creditors	13	(2,406)
0	Short-term Provisions	14	(2)
(120)	Grants Receipts in Advance	21	(127)
(5,161)	Current Liabilities		(2,535)
(4)	Long-term Provisions	14	0
(4,644)	Pension Liability	25	(3,231)
(4,648)	Long -term Liabilities		(3,231)
(4,400)	Net Assets/(Liabilities)		(2,751)
(297)	Usable Reserves	15	(542)
4,697	Unusable Reserves	16	3,293
4,400	Total Reserves		2,751

CASH FLOW STATEMENT – 2015/16

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period.

2014/15 £'000	Note	2015/16 £'000
482 Net (Surplus) / Deficit on the Provision of Services		(71)
395 Adjustments to net surplus or deficit on the provision of services for non-cash movements (<i>creditors, debtors and pension</i>)	17	(2,247)
0 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		0
877 Net cash flows from Operating Activities		(2,318)
11 Investing Activities		(5)
0 Financing Activities		0
888 Net (Increase)/Decrease in cash and cash equivalents		(2,323)
(126) Cash and cash equivalents at the beginning of the reporting period		762
762 Cash and cash equivalents at the end of the reporting period		(1,561)

* Cash Flow position in line with Accounting Policy 1.3.

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Joint Committee's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued in the 2014 Act.

The Joint Committee's practice is to operate on the basis that all items of expenditure are treated as revenue in the first instance. Should any items of a capital nature (e.g. IT equipment, furniture) prove to have a material significance on the true and fair presentation of the financial position then the items would be treated according to proper practices.

The nature of the Joint Committee's transactions is limited and only the relevant policies can be seen below.

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 the sale of goods is recognised when the Joint Committee transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- Revenue from the provision of services is recognised when the Joint Committee can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- 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 where such balances are considered material.
- 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.
- 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

The Joint Committee does not have its own bank account and cash is administered by Gwynedd Council within its own accounts.

1.4 Employee Benefits

1.4.1 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 Joint Committee. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

NOTE 1 – ACCOUNTING POLICIES (continued)

1.4.2 Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the Joint Committee to be charged with the amount payable by the Joint Committee 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.

1.4.3 Post-employment Benefits

Employees of the Joint Committee are members of two separate pension schemes:

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Joint Committee. 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 Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

1.4.4 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 Joint Committee's accounts in respect of this group of employees is determined by the fund administrators and represents a fixed proportion of employees' contributions to this funded pension scheme.

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 3.5% calculated as a weighted average of 'spot yields' on AA rated corporate bonds.

The assets of the Gwynedd Pension Fund attributable to the Joint Committee 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:

NOTE 1 – ACCOUNTING POLICIES (continued)

Service cost comprising:

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

Remeasurements comprising:

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Joint Committee 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 Joint Committee 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 (including joint committees) in Wales and England are required to produce their financial statements in accordance with IAS 19.

1.4.5 Discretionary Benefits

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

NOTE 1 – ACCOUNTING POLICIES (continued)

1.5 Events after the Reporting Period

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

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

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

1.6 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 Joint Committee'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.

1.7 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 Joint Committee has not satisfied.

1.8 Overheads and Support Services

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

1.9 Non-distributed Costs

The majority of central support services are allocated to the service divisions in accordance with the Service Reporting Code of Practice (SeRCOP) 2015/16. The items that are excluded from this treatment are defined as Non-distributed Costs and include the cost of discretionary benefits awarded to employees retiring early.

1.10 Provisions

The Joint Committee sets aside provisions for specific obligations which are likely or certain to be incurred but the amount of which cannot yet be determined accurately. These provisions are classified as long-term or short-term liabilities as appropriate according to the nature of each provision.

1.11 Reserves

Specific reserves are created to set aside amounts for future spending schemes. This is done through transfers out of the General Fund Balance in the Movement in Reserves Statement.

NOTE 1 – ACCOUNTING POLICIES (continued)

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 Joint Committee.

1.12 Value Added Tax

Only in a situation when VAT is irrecoverable, will VAT be included or charged as ‘irrecoverable VAT’. Since the Joint Committee has not registered for VAT, the VAT is recovered through Gwynedd Council’s VAT registration.

1.13 Debtors and Creditors

The Joint Committee’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. This policy is consistently applied each year and therefore does not have a material effect on the year’s accounts.

1.14 Jointly Controlled Operations

Jointly controlled operations are activities undertaken in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity.

The GwE Joint Committee has been categorised as a Jointly Controlled Operation.

NOTE 2 – CHANGE IN ACCOUNTING POLICY

There are no changes in the accounting policies during the 2015/16 financial year.

NOTE 3 – 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 be disclosed. The related accounting standards in the 2016/17 Code of Practice are as follows:

Amendments to IAS 1 Presentation of Financial Statements - This standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding Analysis. These changes are as a result of the “Telling the Story” review of the presentation of the local authority financial statements as well as the changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS 11 Joint Arrangements, IAS 16 Property Plant, Equipment, and IAS 19 Employee Benefits, are minor and are not expected to have a material effect on the Joint Committee’s Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

NOTE 4 – CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Joint Committee has had to make judgments, 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 judgments, estimates and associated assumptions applied are based on current proper practices, historical experience and other factors, including historical, professional assessment, current trends, local factors and actual future projections and assumptions that are considered to be relevant.

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

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

NOTE 5 – 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 Joint Committee 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 item in the Joint Committee's Balance Sheet at 31 March 2016 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:

- **Pension Liability** – The Pension Liability position as contained within the accounts is based on a number of complex assessments and judgments 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 Gwynedd Pension Fund. Further details are contained in Notes 24 and 25.

NOTE 6 – MATERIAL ITEMS OF INCOME AND EXPENSE

Related items include:-

- A movement of £2,998k on pensions, on the remeasurements of the net defined benefit liability/(assets), in line with Gwynedd Pension Fund's Actuary's assessment (Note 16).
- Increase of £6,030k in grants and contributions and equivalent expenditure (Note 21)

NOTE 7 – EVENTS AFTER THE BALANCE SHEET DATE

There are no known post balance sheet events.

NOTE 8 – 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 Joint Committee in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Joint Committee to meet future expenditure.

2015/16		
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS		
	Usable Reserve General Fund Balance	Movement in Unusable Reserves
	£'000	£'000
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 25)	(741)	741
Employer's pensions contributions and direct payments to pensioners payable in the year	576	(576)
Adjustment primarily involving the Accumulated Absences Account		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(9)	9
Total Adjustments	(174)	174

2014/15		
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS		
	Usable Reserve General Fund Balance	Movement in Unusable Reserves
	£'000	£'000
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 25)	(551)	551
Employer's pensions contributions and direct payments to pensioners payable in the year	552	(552)
Adjustment primarily involving the Accumulated Absences Account		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3)	3
Total Adjustments	(2)	2

NOTE 9 – TRANSFERS TO/FROM 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.

Earmarked Reserves

	GwE Joint Committee Reserves
	£'000
Balance 31 March 2015	297
<u>Transfers:</u>	
Between Reserves	0
In	256
Out	(11)
Balance 31 March 2016	542

NOTE 10 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15		2015/16
£'000		£'000
136	Net interest on the net defined benefit liability (asset)	149
136	Total	149

NOTE 11 – SHORT-TERM DEBTORS

	31 March 2015	31 March 2016
	£'000	£'000
Welsh Government	1,580	1,218
Central Government Bodies	67	54
Other Local Authorities	3,738	125
Other Entities and Individuals	13	50
Total	5,398	1,447

NOTE 12 – CASH AND CASH EQUIVALENTS

The Joint Committee does not have its own bank account and cash is administered by Gwynedd Council within its own accounts. The figure shown in the table each year is the net cash sum or bank overdraft held on behalf of the Joint Committee within the Gwynedd Council amounts.

	31 March 2015 £'000	31 March 2016 £'000
Cash in Hand	0	1,561
Cash and Cash Equivalents	0	1,561
Bank Overdraft	(762)	0
Total	(762)	1,561

NOTE 13 – SHORT-TERM CREDITORS

	31 March 2015 £'000	31 March 2016 £'000
Welsh Government	1	88
Other Central Government Bodies	57	65
Other Local Authorities	3,866	1,704
Other Entities and Individuals	355	549
Total	4,279	2,406

NOTE 14 – PROVISIONS

The Joint Committee 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 9.

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 are reviewed periodically.

	Balance at 31 March 2015 £'000	(Addition) / Reduction / Transfer £'000	Used during the year £'000	Balance at 31 March 2016 £'000
<u>Short-term Provisions</u>				
Green Car Scheme Provision	0	(2)	0	(2)
<u>Long -term Provisions</u>				
Pension Provision	(4)	4	0	0
	(4)	2	0	(2)

NOTE 14 – PROVISIONS (continued)

Green Car Scheme Provision – provision for staff leased car scheme requirements.

Pension Provision – provision for future pension requirements.

NOTE 15 – USABLE RESERVES

The Movement in Reserves Statement details the movements in the Joint Committee's usable reserves.

NOTE 16 – UNUSABLE RESERVES

31 March 2015		31 March 2016
£'000		£'000
(4,644)	Pensions Reserve	(3,231)
(53)	Accumulated Absences Account	(62)
(4,697)	Total Unusable Reserves	(3,293)

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 Joint Committee 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 Joint Committee 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 Joint Committee 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.

2014/15		2015/16
£000		£000
(3,225)	Balance 1 April	(4,644)
(1,420)	Remeasurements of the net defined benefit (liability) / assets (Note 25)	1,578
(551)	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	(741)
552	Employer's pensions contributions and direct payments to pensioners payable in the year	576
(4,644)	Balance 31 March	(3,231)

NOTE 16 – UNUSABLE RESERVES (continued)

Accumulated Absences Account

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

2014/15 £000		2015/16 £000
(50)	Balance 1 April	(53)
(3)	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	(9)
(53)	Balance 31 March	(62)

NOTE 17 – CASH FLOW STATEMENT : ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2014/15 £'000		2015/16 £'000
(3,971)	(Increase)/Decrease in Creditors	1,873
4,489	Increase/(Decrease) in Debtors	(3,951)
2	Pension Liability	(164)
(125)	Other non-cash items charged to net surplus/deficit on the provision of services	(5)
395		(2,247)

NOTE 18 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Code. However, decisions about resource allocation are based on budgetary reports prepared on a different basis. The differences are :

- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year.
- There is no accrual for compensated absences earned but not taken in the year .

Tables 1 and 2 in the Narrative Report (Page 3) shows the figures reported to management for resource allocation decisions and the reconciliation with the figures shown in the Comprehensive Income and Expenditure Statement.

NOTE 19 – OFFICERS’ REMUNERATION

a. The Accounts and Audit (Wales) Regulations 2014, require the Joint Committee 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 and the employer’s pension contributions are included below, but the employer’s national insurance contributions are excluded. The remuneration paid to the Joint Committee’s senior officers who are directly employed by GwE is as follows:

2014/15				Chief Officers	2015/16			
Employer's		Other	Total		Employer's		Other	Total
Pension	Employer	Costs			Pension	Employer	Costs	
Salary	Contribution				Salary	Contribution		
£	£	£			£	£	£	
83,397	22,840	22	106,259	Chief Officer	85,482	22,062	0	107,544

b. Other Joint Committee employees receiving more than £60,000 remuneration for the year (excluding employer’s pension and national insurance contributions), were paid the following amounts. The figures include termination benefits paid in 1 case in 2014/15, but there were no cases in 2015/16. This post 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 2014-15		Number in 2015-16	
Total		Total	
0	£60,000 - 64,999	3	
1	£65,000 - 69,999	1	
1	£70,000 - 74,999	0	

NOTE 20 – EXTERNAL AUDIT COSTS

The Joint Committee has incurred the following costs relating to external audit.

2014/15		2015/16
£'000		£'000
8	Fees payable to auditors appointed by the Auditor General for Wales with regard to external audit services	8

Wales Audit Office were the external auditors until 2014/15. For the audit of the 2015/16 accounts onwards, Deloitte were appointed by the Auditor General for Wales as Gwynedd Council’s, and subsequently GwE’s, external auditors.

NOTE 21 – GRANT INCOME

a. The Joint Committee credited the following grants, contributions and donations to the comprehensive Income and Expenditure Statement :

	2014/15		2015/16	
	£'000	£'000	£'000	£'000
Grants and Contributions Credited to Services				
Welsh Government -				
Schools Challenge Cymru (SCC)	1,020		1,291	
GCSE, PISA and Science Literacy	459		710	
NPQH - National Professional Qualification for Headship	81		93	
Literacy & Numeracy development - Primary Phase	75		0	
Pupil Deprivation Grant – Looked After Children *			586	
Pioneer Schools Network			338	
Supporting Literacy and Numeracy and Modern Foreign Languages			250	
Modern Foreign Language (MFL) Centres of Excellence			137	
Learning in Digital Wales (LiDW)			102	
Other	214		173	
		1,849		3,680
Other Government Grants and Contributions -				
Sports Council for Wales	95		205	
		95		205
Other Grants and Contributions -				
Councils' Contributions towards the Core Service				
Conwy	649		640	
Denbighshire	629		628	
Flintshire	931		929	
Gwynedd	748		734	
Anglesey	425		418	
Wrexham	775		778	
		4,157		4,127
SEG and WEG **:				
Match funding from Councils				
Conwy	204		0	
Denbighshire	325		0	
Flintshire	304		0	
Gwynedd	352		0	
Anglesey	215		0	
Wrexham	354		0	
Welsh Government	152		0	
		1,906		0

Table continued overleaf.....

NOTE 21 - GRANT INCOME (continued)

Table continued.....		2014/15		2015/16	
		£'000	£'000	£'000	£'000
Education Improvement Grant (EIG)*:					
Match funding from Councils					
Conwy		0		67	
Denbighshire		0		363	
Flintshire		0		88	
Gwynedd		0		579	
Anglesey		0		307	
Wrexham		0		98	
Welsh Government		0		4,350	
			0		5,852
Other			36		209
			6,099		10,188
Total Grants and Contributions Credited to Services					
			8,043		14,073

* Does not include grants distributed directly to schools.

** National Model : the non-delegated element of the School Effectiveness Grant (SEG) and the Welsh in Education Grant (WEG) including authority match funding contributions.

b. The Joint Committee has received a grant that has yet to be recognised as income as it has conditions attached that could require the monies to be returned to the giver. The balance at the year end is as follows:

	31 March 2015 £'000	31 March 2016 £'000
Grants and Contributions Received in Advance		
Short-term		
Sports Council for Wales	120	127
Total	120	127

NOTE 22 – RELATED PARTIES

The Joint Committee is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Joint Committee or to be controlled or influenced by the Joint Committee. Disclosure of these transactions allows readers to assess the extent to which the Joint Committee 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 Joint Committee.

NOTE 22 – RELATED PARTIES (continued)

Members

Members of the Joint Committee have an influence over the Joint Committee's financial and operating policies.

Members have declared an interest or relationship in companies or businesses which may have dealings with the Joint Committee. A breakdown of the payments and balances at 31 March 2016 made to these companies under this heading during 2015/16 is as follows:

Payments made	Amounts owed by the Joint Committee	Amounts owed to the Joint Committee
£'000	£'000	£'000
8	6	0

The figures are based on information received in respect of Councillors' returns.

Officers

The Joint Committee's Senior Officer has declared as required and where appropriate an interest or relationship in companies, voluntary, charitable, or public bodies which receive payments from the Joint Committee. No payments have been made to these companies during 2015/16, and no amounts is owed by the Joint Committee or to the Joint Committee from the companies named.

NOTE 23 – 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 cost to the employer rather than the actual value of the payments to the individuals.

(a)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
£	2014/15 Number	2015/16 Number	2014/15 Number	2015/16 Number	2014/15 Number	2015/16 Number	2014/15 £'000	2015/16 £'000
60,001 - 80,000	1	0	0	0	1	0	69	0
Total	1	0	0	0	1	0	69	0

NOTE 24 – PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

NOTE 24 – PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES (continued)

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 Joint Committee is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16 the Joint Committee paid £11k (2014/15: £7k) in respect of teachers' pension costs, which represented 15.47%, on average, of teachers' pensionable pay. In addition the Joint Committee is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms for the teachers' scheme. There were no such costs in 2015/16 and 2014/15. These costs are accounted for on a defined benefits basis and are included in Note 25.

NOTE 25 – PENSION COSTS

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

GwE 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 Joint Committee and the employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- b) **Arrangements for the award of discretionary post retirement benefits upon early retirement.** This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

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

The principal risks to the Joint Committee 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 Joint Committee.

Transactions Relating to Post-employment Benefits

The Joint Committee 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 (via the Councils' contributions) is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the Joint Committee's 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 25 – PENSION COSTS (continued)

Change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability	Period ended 31 March 2015			Period ended 31 March 2016		
	Assets	Liabilities	Net (liability) /asset	Assets	Liabilities	Net (liability) /asset
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	10,980	0	10,980	12,910	0	12,910
Present Value of Funded Liabilities	0	(14,205)	(14,205)	0	(17,554)	(17,554)
Present Value of Unfunded Liabilities	0	0	0	0	0	0
Opening Position at 31 March	10,980	(14,205)	(3,225)	12,910	(17,554)	(4,644)
Service Cost						
Current Service Cost*	0	(415)	(415)	0	(592)	(592)
Past Service Costs(including curtailments)	0	0	0	0	0	0
Total Service Cost	0	(415)	(415)	0	(592)	(592)
Net interest						
Interest Income on Plan Assets	484	0	484	418	0	418
Interest Cost on Defined Benefit Obligation	0	(620)	(620)	0	(567)	(567)
Total Net Interest	484	(620)	(136)	418	(567)	(149)
Total Defined Benefit Cost Recognised in Profit/(Loss)	484	(1,035)	(551)	418	(1,159)	(741)
Cashflows						
Plan participants contributions	142	(142)	0	166	(166)	0
Employer contributions	540	0	540	540		540
Contributions in respect of unfunded benefits	0	0	0	0	0	0
Benefits Paid	(137)	137	0	(416)	416	0
Unfunded Benefits Paid	0	0	0	0	0	0
Expected Closing Position	12,009	(15,245)	(3,236)	13,618	(18,463)	(4,845)
Remeasurements						
Change in demographic assumptions	0	0	0	0	0	0
Change in financial assumptions	0	(2,376)	(2,376)	0	1,596	1,596
Other experience	0	67	67	0	107	107
Return on Assets excluding amounts included in net interest	901	0	901	(89)	0	(89)
Total remeasurements recognised in Other Comprehensive Income (OCI)	901	(2,309)	(1,408)	(89)	1,703	1,614
Fair Value of Employer Assets	12,910	0	12,910	13,529	0	13,529
Present Value of Funded Liabilities	0	(17,554)	(17,554)	0	(16,760)	(16,760)
Present Value of Unfunded Liabilities**	0	0	0	0	0	0
Closing Position at 31 March	12,910	(17,554)	(4,644)	13,529	(16,760)	(3,231)

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

** For unfunded liabilities as at 31 March 2016, 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 members pension at the date of the member's death.

NOTE 25 – 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 do not. The asset split for GwE is assumed to be in the same proportion to the Fund's asset allocation as at 31 December 2015. The split is shown in the table above. The actuary estimates the bid value of the Fund's assets as at 31 March 2016 to be £1,536,000,000 based on information provided by the Administering Authority and allowing for index returns where necessary.

Fair Value of Employer Assets

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

Asset Category	At 31 March 2015					At 31 March 2016				
	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	358	0	358	3		430	0	430	3	
Energy and Utilities	266	0	266	2		74	0	74	1	
Financial Institutions	201	0	201	2		221	0	221	2	
Health and Care	537	0	537	4		780	0	780	6	
Information Technology	375	0	375	3		448	0	448	3	
Other	654	0	654	5		539	0	539	4	
Debt Securities										
Other	0	0	0	0		0	1,808	1,808	13	
Private Equity										
All	0	546	546	4		0	550	550	4	
Real Estate										
UK Property	0	1,238	1,238	10		258	1,139	1,397	10	
Overseas Property	0	37	37	0		0	26	26	0	
Investment Funds and Unit Trusts										
Equities	2,948	3,668	6,616	51		2,746	3,981	6,727	50	
Bonds	0	1,788	1,788	14		0	0	0	0	
Infrastructure	0	61	61	0		0	112	112	0	
Derivatives										
Inflation	0	0	0	0		0	0	0	0	
Cash and Cash Equivalents										
All	233	0	233	2		417	0	417	3	
Total	5,572	7,338	12,910	100		5,913	7,616	13,529	100	

NOTE 25 – PENSION COSTS (continued)

Basis for estimating assets and liabilities

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

Both the Gwynedd Pension Scheme and Discretionary Benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries. Estimates for the Gwynedd Pension Fund were based on the latest full valuation of the scheme as at 31 March 2013. 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 2015	31 March 2016
Financial Assumptions	% p.a.	% p.a.
Pensions Increase Rate	2.4	2.2
Salary Increase Rate*	4.3	4.2
Inflation Rate	2.4	2.2
Discount Rate	3.2	3.5
Long-term expected rate of return on all categories of assets	3.2	3.5
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	22
Women	24	24
Longevity at 65 for future pensioners		
Men	24.4	24.4
Women	26.6	26.6

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2016 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 Joint Committee of a one year increase in life expectancy. For sensitivity purposes this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

NOTE 25 – PENSION COSTS (continued)

The figures in the table below have been derived based on the membership profile of the Joint Committee as at 31st March 2013, the date of the most recent actuarial valuation. The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

Impact on the Defined Benefit Obligation in the Scheme		
Change in assumption	Approximate increase to Employer	Approximate monetary amount
	31 March 2016	31 March 2016
	%	£'000
0.5% decrease in real discount rate	10	1,670
1 year increase in life expectancy	3	503
0.5% increase in the salary increase rate	2	389
0.5% increase in the pension increase rate	8	1,258

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

Information about the Defined Benefit Obligation

	Liability Split		Duration
	£'000	%	
Active Members	12,614	75.3	22.6
Deferred Members	332	2.0	33.7
Pensioner Members	3,814	22.8	14.7
Total	16,760	100.0	20.6

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

Impact in Future Years

The total contributions expected to be made to the Local Government Pensions Scheme by the Joint Committee in the year to 31 March 2017 is £541,000.

As the Actuary's report is based on estimates and due to timing issues, there is a variance of £35,950 in 2015/16 (£12,650 in 2014/15) between the deficit in the Scheme based on the Actuarial figures in comparison with the liability related to the defined benefit pension schemes in the Balance Sheet. This variance has been treated as Actuarial Gains and Losses on Pension Assets and Liabilities and therefore has been included in the Liability related to the defined benefit Pension Schemes in the Balance Sheet.

Auditor General for Wales' report to the Members of GwE Joint Committee

I have audited the accounting statements and related notes of GwE Joint Committee for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

GwE Joint Committee's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

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 2015-16 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to GwE Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes 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.

Opinion on the accounting statements of GwE Joint Committee

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of GwE Joint Committee as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting 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;
- the Annual Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

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

**For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales**

**Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ
30 September 2016**

ANNUAL GOVERNANCE STATEMENT

This statement meets the requirement to produce a Statement of Internal Control pursuant to Section 5 of the Accounts and Audit (Wales) Regulations 2014.

Part 1: SCOPE OF RESPONSIBILITY

GwE was established as a Joint Committee to be a regional school effectiveness and improvement service by the 6 north Wales local authorities in 2013 by undertaking the functions that are detailed in an agreement between the Joint Committee and the authorities. In the agreement, the Councils have agreed to work together in a partnering relationship to establish a Regional School Effectiveness and Improvement Service to be accountable to, and undertake the statutory functions of the Councils in respect of school improvement and effectiveness.

The Councils' vision was to establish a Regional School Effectiveness and Improvement service to be accountable to, and undertake the statutory responsibilities of, the six local North Wales Authorities in respect of the duties to monitor; challenge; provide support services for curriculum continued professional development and management of schools, and in addition provide services that can be commissioned by schools and local authorities.

GwE is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, GwE 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.

Part 2: THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which GwE is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authorities that are part of the GwE to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of GwE's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework described above has been in place at GwE for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

Part 3: THE GOVERNANCE FRAMEWORK

3.1 Membership

The Councils have entered into an Agreement to establish and implement GwE pursuant to the powers conferred on them by Section 9 of the Local Government Wales Measure 2009, Section 2 of the Local Government Act 2000 Sections 101 and 102 of the Local Government Act 1972 and associated Regulations.

Membership of the Joint Committee includes one member each from Isle of Anglesey County Council, Gwynedd Council, Conwy County Borough Council, Denbighshire County Council, Flintshire County Council, and Wrexham County Borough Council with voting rights.

The Statutory Chief Education Officers, one from each local authority in north Wales, are currently officer members without voting rights.

One Diocese Representative, one Primary Schools Representative, one Secondary Schools Representative, one Special Schools Representative and one Governor Representative are co-opted non-voting members.

3.2 Functions

The Councils have signed an agreement on 13 February 2013 to formalise each of their roles and responsibilities in respect of the Service, and have appointed Gwynedd Council the Host Authority for operating and maintaining the Service in accordance with the terms of the agreed Final Business Case.

The agreement is comprehensive, and includes information on governance and administrative aspects of the Joint Committee. The agreement is the foundation of GwE's governance framework.

3.3 Principles

By signing the agreement, the Councils have agreed that they would maintain their relationship in accordance with the following principles of good governance:

- **Openness and Trust**
In relation to the Agreement the Councils will be open and trusting in their dealings with each other, make information and analysis available to each other, discuss and develop ideas openly and contribute fully to all aspects of making the joint working successful;
- **Commitment and Drive**
The Councils will be fully committed to working jointly, will seek to fully motivate employees and will address the challenges of the Service with drive, enthusiasm and a determination to succeed;
- **Skills and Creativity**
The Councils recognise that each brings complementary skills and knowledge which they will apply creatively to achieving the Councils' objectives, continuity, resolution of difficulties and the development of the joint working relationship and the personnel working within it;
- **Effective Relationships**
The roles and responsibilities of each Council will be clear with relationships developed at the appropriate levels within each organisation with direct and easy access to each other's representatives;
- **Developing and Adaptive**
The Councils recognise that they are engaged in what could be a long-term relationship which needs to develop and adapt and will use reasonable endeavours to develop and maintain an effective joint process to ensure that the relationship develops appropriately and in line with these principles and objectives;
- **Reputation and Standing**

The Councils agree that, in relation to this Agreement and the Service generally, they shall pay the utmost regard to the standing and reputation of one another and shall not do or fail to do anything which may bring the standing or reputation of any other Council into disrepute or attract adverse publicity to any other Council;

- Reasonableness of Decision Making

The Councils agree that all decisions made in relation to this Agreement and the Service generally shall be made by them acting reasonably and in good faith;

- Necessary Consents

Each Council hereby represents to the other Councils that it has obtained all necessary consents sufficient to ensure the delegation of functions and responsibilities provided for by this Agreement; and

- Members and Officers' Commitments

Each Council shall use its reasonable endeavours to procure that their respective members and officers who are involved in the Service shall at all times act in the best interests of the Service, and respond in a timely manner to all relevant requests from the other Councils.

Part 4: EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

GwE has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

Gwynedd Council is the Host Authority of the Joint Committee. As a result, therefore, reviews of the effectiveness of the Local Code of Governance, the Constitution and the system of internal control of that authority will also incorporate the basis of the Joint Committee's governance.

In January 2015, a review of the service was conducted by Wales Audit Office & Estyn. The purpose of the review was to gain an early view of the progress of the arrangements to achieve school improvement through regional education consortia. The report was produced in June 2015.

(<http://www.audit.wales/publication/achieving-improvement-support-schools-through-regional-education-consortia---early-view> / <http://www.estyn.gov.wales/thematic-reports/improving-schools-through-regional-education-consortia-june-2015>)

The report and response to the findings were presented to the Joint Committee on the 15th of July 2015.

Objectives

A Full Business Case has been provided for the Service, dated March 2012, with the business case showing evidence that clear objectives have been established and are SMART and that an appropriate work programme is in place.

A 3 Year Business Plan is in place for the service which has been approved by the Joint Committee & Welsh Government. The Business Plan ensures an appropriate work programme is in place & monitoring reports are presented to the Joint Committee at their meetings.

Structure, Roles and Responsibilities

The Joint Committee has been established, with appropriate membership.

There is a clear organisational structure for the service, but after receiving the new national model, there will be changes to the structure in the future due to changes in expectations on the part of the Service.

The terms of reference of the Joint Committee set out some of its responsibilities together with a list of members of the Joint Committee and voting rights. The role of the Authorities has been identified in the Agreement.

As a result of the adoption of the National Model For Regional Joint Working the governance structure of GwE has been the subject of a review. This has involved creating an Advisory Board and a Management Board and review of the structure of the Joint Committee. Elements of the structure are already functioning and will be fully adopted once approved by the Executives of all Partners and lead to a revised Inter Authority Agreement.

Leadership

The Joint Committee met on the following dates:

- 15/07/15
- 23/09/15
- 12/11/15
- 27/01/16
- 24/02/16

Risk Management

GwE's risk register is regularly updated. The relevance of the risk register will be kept under review.

Performance Management Systems

Under the agreement, the Service's Managing Director will report annually to the Joint Committee and to each individual Council on the performance of the Service in undertaking Functions and achieving Key Service Objectives.

The Annual Report for 2014/15 was presented to the Joint Committee at their meeting on 12/11/15.

User Needs and Complaints

The Service follows Gwynedd Council complaints procedure. During 2015/16 no complaints have been received.

In addition, it is possible for schools to provide feedback via the User Group that has been established to provide support to the Joint Committee as well as challenge. Appropriate representatives from secondary and primary schools of the 6 authorities belong to the user group.

The User Group is operating effectively because:

- It has the right to report and make recommendations to the Joint Committee on any matter within the scope of functions of the Service.
- The group met on the following dates:
 - 05/05/15
 - 09/07/15
 - 29/10/15
 - 01/12/15
 - 01/03/16
- The group includes:
 - 6 Secondary representatives, one from each Authority
 - 6 Primary representatives, one from each Authority
 - 1 representatives of Special Schools
 - School Governors - 1 representative per Council.

Corporate Policies

At the balance sheet date, the process of reviewing the corporate policies by Human Resources, GwE and the Unions was continuing.

We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by GwE, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**.

In response to the National Model, changes have been implemented & are in the process of being formalised into the revised Inter Authority Agreement.

Part 5: SIGNIFICANT GOVERNANCE ISSUES

The processes outlined in previous sections of this statement describe the methods used by GwE to identify the most significant governance issues that need to be addressed.

GwE does not believe that any such issues have arisen during the assessment of its governance arrangements that warrant attention in this Annual Governance Statement.

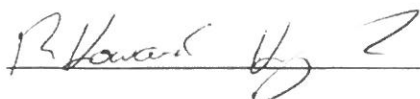
Following the review of the service by Wales Audit Office & Estyn in January 2015, the report & response to their findings were presented to the Joint Committee on the 15th of July 2015.

<http://www.gwegogledd.cymru/Content/Uploaded/Downloads/e9b60082-92fa-4306-bf95-d59b10d37e4d.pdf>

A report on progress against the recommendations was presented to the Joint Committee on the 12th of November 2015. <http://www.gwegogledd.cymru/Content/Uploaded/Downloads/477b9283-b2db-43ba-b68f-1b87f95fcc83.pdf>

Part 6: OPINION

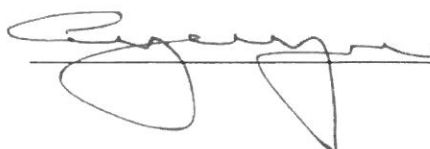
Over the coming year work on the revision of the governance structure of GwE in response to the National Model will be completed.



GwE Lead Officer

Date: 06/07/16

RHYS HOWARD HUGHES
GwE ASSISTANT DIRECTOR
On behalf of
GwE MANAGING DIRECTOR



GwE Chairman

Date: 6 July 2016

COUNCILLOR ERYL WILLIAMS
DENBIGHSHIRE COUNTY COUNCIL