



Tuag at Ragoriaeth  
Towards Excellence



Cyfarfod / Meeting

**CYD-BWYLLGOR GwE**  
**GwE JOINT-COMMITTEE**

Dyddiad ac Amser / Date and Time

**1.30 pm DYDD MERCHER, 23 MEDI 2015**  
**1.30 pm WEDNESDAY, 23 SEPTEMBER 2015**

Lleoliad / Location

**VENUE CYMRU**  
**LLANDUDNO**

Pwynt Cyswllt / Contact Point

**GLYNDA O'BRIEN**

**(01341) 424301**

**[GlyndaOBrien@gwynedd.gov.uk](mailto:GlyndaOBrien@gwynedd.gov.uk)**

## **AELODAETH Y CYDBWYLLGOR/MEMBERSHIP OF THE JOINT COMMITTEE**

### **Aelodau â phleidlais/ Voting Members**

Cynghorydd/Councillor Kenneth P. Hughes – Cyngor Sir Ynys Môn/Isle of Anglesey County Council

Cynghorydd/Councillor Gareth Thomas – Cyngor Gwynedd Council

Cynghorydd/Councillor Wyn Ellis Jones – Cyngor Bwrdeistref Sirol

Conwy/Conwy County Borough Council

Cynghorydd/Councillor Eryl Williams – Cyngor Sir Ddinbych/ Denbighshire County Council

Cynghorydd/Councillor Chris Bithell – Cyngor Sir y Fflint/Flintshire County Council

Cynghorydd/Councillor Michael Williams – Cyngor Bwrdeistref Sirol Wreccsam/Wrexham County Borough Council

### **Aelodau Cyfetholedig heb Bleidlais/Co-opted Non-voting Members**

Esgobaeth Wreccsam/Wrexham Diocese – Rita Price

Cynrychiolydd Ysgolion Cynradd/Primary Schools Representative – Diane Chisholm

Cynrychiolydd Ysgolion Uwchradd/ Secondary Schools Representative – Annwen Morgan

Cynrychiolydd Ysgolion Arbennig/Special Schools Representative – Jonathan Morgan

Cynrychiolydd Llywodraethwr/Governor Representative – Alison Fisher

### **Swyddogion heb Bleidlais/Non-voting Officers**

Delyth Molyneux – Cyngor Sir Ynys Môn/Isle of Anglesey County Council

Arwyn Thomas – Cyngor Gwynedd Council

Richard E. Owen – Cyngor Bwrdeistref Sirol Conwy/Conwy County Borough Council

Karen Evans – Cyngor Sir Ddinbych/Denbighshire County Council

Ian Budd – Cyngor Sir y Fflint/Flintshire County Council

John Davies – Cyngor Bwrdeistref Sirol Wreccsam/Wrexham County Borough Council

### **Swyddogion yn bresennol/Officers in attendance**

Iwan Evans a Dafydd Edwards – Awdurdod Lletylol/Host Authority

Geraint Rees – Llywodraeth Cymru/Welsh Government

Huw Foster Evans – Rheolwr Gyfarwyddwr GwE/GwE Managing Director

Susan Owen Jones – Rheolwr Busnes a Chyllid GwE/GwE Business & Finance Manager

Mohammed Mehmet – Cyngor Sir Ddinbych/Denbighshire County Council

## **AGENDA**

### **1. APOLOGIES**

To receive any apologies for absence.

### **2. DECLARATION OF PERSONAL CONNECTION**

To receive any declaration of personal interest.

### **3. URGENT ITEMS**

To note any items that are a matter of urgency in the view of the Chairman for consideration.

### **4. MINUTES OF THE PREVIOUS MEETING 15/7/15**

(copy enclosed)

### **5. THE JOINT COMMITTEE'S FINAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 AND RELEVANT AUDIT**

(copy enclosed)

### **6. GwE PROGRESS REPORT**

(oral report)

### **7. GwE 2015-16 BUDGET REPORT – SUMMER TERM REVIEW 2015**

(copy enclosed)

### **8. 2015-16 MEETING DATES**

(copy enclosed)

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**GwE JOINT COMMITTEE  
15.07.15**

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**Present:**        **Councillor Eryl Williams (Chair)**  
                      **Councillor Michael Williams (Vice-chair)**

Councillors:    Chris Bithell, Kenneth P. Hughes, Wyn Ellis Jones and Gareth Thomas.

**Co-opted Members with no vote:** Annwen Morgan (Primary Schools representative), Jonathan Morgan (Special Schools representative) and Alison Fisher (Governors representative)

**Officers with no vote:** Ian Budd (Lead Director – Chair of Management Board (Flintshire County Council)), John Davies (Wrexham County Borough Council), Karen Evans (Denbighshire County Council), Garem Jackson (Gwynedd Council) and Richard E Owen (Conwy County Borough Council)

**Also present:** Huw Foster Evans (GwE Managing Director), Susan Owen Jones (GwE Business and Finance Manager), Rhys Howard Hughes (GwE Assistant Director (Support and Brokerage)), Alwyn Jones (GwE Assistant Director (Standards)), Geraint Rees and Claire Rundle (Welsh Government Representatives), Dafydd L. Edwards (Host Authority Head of Finance – Gwynedd Council), Iwan Evans (Host Authority Legal Services Manager – Gwynedd Council) and Bethan Adams (Host Authority Members' Support Officer – Gwynedd Council)

**Apologies:** Diane Chisholm (Primary Schools representative), Rita Price (Wrexham Diocese) and Arwyn Thomas (Gwynedd Council)

**1.        ELECTING A CHAIR**

**It was decided to re-elect Councillor Eryl Williams as Chair of the Joint Committee for 2015/16.**

**2.        ELECTING A VICE-CHAIR**

**It was decided to re-elect Councillor Michael Williams as Vice-chair of the Joint Committee for 2015/16.**

**3.        DECLARATION OF PERSONAL INTEREST**

No declaration of personal interest was received by any Members present

**4.        MINUTES**

The Chair signed minutes of this meeting held on 25 February 2015 as a true record

**4.1      MATTERS ARISING FROM THE MINUTES**

It was reported that national verification and assessment and standardisation work has been completed by the 4 regions for national quality assurance

purposes and that a draft report has been produced. It was noted that a report in the context of local information will be presented to the next meeting of the Joint Committee on 23 September 2015

**It was decided to: accept and note the above**

## **5. REGIONAL BUSINESS PLAN 2014-15 – MONITORING REPORT**

The GwE Managing Director presented a report, updating the Joint Committee on the progress made against the 2014-15 Business Plan. The members were led through each priority in the report and a response given to comments. The main following points were made during the discussion:

- (a) Priority 4 – ‘Increase the uptake of, and raise standards in, Welsh as a First Language across the region’. Following the secondment of Mrs Eleri Jones coming to an end, it was noted that another individual will be undertaking the work and that the priority remains important.
- (b) In response to a question by a Member in relation to ensuring consistency both nationally and regionally, Mr Geraint Rees (Welsh Government) noted that Professor Donaldson’s report highlights Welsh medium education and that cohesive development is required in each region. He added that Gwynedd Council is a lead authority on Welsh medium education in the region and that deeper networking is required due to such variety across the region.
- (c) In response to a question by a Member regarding meetings to discuss the way forward with Welsh medium education in the region as the 6 authorities have a different strategy and work profiles, it was noted that it is very important have a discussion on the way forward.
- (d) Priority 6 ‘Establish and promote an effective regional model for school>school support’. It was noted there is strong evidence to show that schools are willing to collaborate but that some schools have a more traditional view. The need to ensure that it is a whole regional programme was emphasised.
- (e) Priority 7 ‘Develop quality leadership and teaching and learning on all levels’. A Member noted that developing leadership is very important and that value needs to be measured.
- (f) Priority 8 ‘Support schools to develop more robust and effective assessment, standardisation and moderation processes’. In response to a comment by a Member, the GwE Managing Director noted that steps are being taken to ensure a better balance between support and challenge following the publication of the Estyn annual report.
- (g) Priority 10 ‘Ensure the effective governance of GwE’.  
With regard to scrutiny arrangements, Mr Geraint Rees (Welsh Government) noted that the Wales Audit Office (WAO) has expressed that scrutiny should take place regionally; but, now, a shift is to be seen towards the relevant Scrutiny Committees within the Authorities looking at thematic reports. It was noted that discussions are underway with regard to a cohesive system for scrutiny.

**It was decided to: Accept and note the content of the report.**

## **6. JOINT COMMITTEE FINAL ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2015**

A report by the Gwynedd Council Head of Finance was presented outlining an outturn on the 2014/15 Revenue Income and Expenditure accounts along with an endorsed statement of accounts in statutory form, but pre-Audit.

The content of the accounts was discussed and there were opportunities for Joint Committee members to ask questions.

It was reported that the accounts have been endorsed and sent to the WAO. They will be presented at the next Joint Committee meeting for approval.

The Chair and the GwE Managing Director signed the 2014-15 Annual Governance Statement

**It was decided to: accept and note the content of the report and approve the management of the underspend as outlined in Appendix A '2014-15 Revenue Income and Expenditure Account' along with the 2014/15 Statement of Accounts (pre-audit) – Appendix B**

**7. ALIGN THE ARRANGEMENTS FOR REGIONAL WORKING WITH THE WELSH GOVERNMENT'S NATIONAL MODEL FOR REGIONAL WORKING**

- (a) GwE's final business case was presented for approval, which summarises the present areas of work, assesses the possible options and recommends the most effective intervention for delivery.

Ian Budd (Lead Director – Chair of Management Board) noted that the business case was assessed against the following criteria:

- Does it make the best use of experience and expertise?
- In a time of financial constraints, is value for money ensured and is there flexibility to manage the decrease in funding?
- Is it easily understood so that it may be shared with stakeholders?

- (b) Mr Geraint Rees (Welsh Government) noted that the Local Authorities have kept the leading roles in these areas, therefore sufficient capacity needs to be ensured within the networks.

In response, Ian Budd (Lead Director – Chair of Management Board) noted that the Management Board has revised its remit and membership so as to comply with the national model

- (c) The following points were highlighted during the subsequent discussion:

- the need to improve the Governing Body in schools
- in response to a comment from a Member, Ian Budd (Lead Director – Chair of Management Board) noted that a main officer takes the leading role on every network. He added that authorities could provide more resources to deliver a specific programme, but when GwE was established no individual authorities made specific requirements.
- accountability would be clearer when the Service Level Agreement is in place noting roles and responsibilities.

- the WAO report notes that a movement towards joint ownership should be seen rather than commissioning by an individual authority and that GwE is making great strides by producing a joint business plan.

**It was decided to:**

- (a) accept and note the content of the report**
- (b) approve the following interventions with regard to areas of work:**
  - **advice and support for Governors (page 10 of the report)**
  - **the Foundation Phase (page 10 of the report)**
  - **Learning Pathways 14 – 19 (page 12 of the report)**
  - **Welsh in Education Strategic Plans and Welsh in Education Grant (page 13 of the report)**
  - **regional co-ordination of the ICT Strategy (page 14 of the report)**
  - **specialist human resources support (page 14 of the report)**
- (c) delegate the responsibility of planning and delivery of the interventions to the GwE Management Board.**

## **8. GwE MAIN PRIORITIES**

- (a) The GwE Managing Director presented a report to update the Joint Committee on the main priorities of the service. It was reported that Estyn will conduct an inspection during the spring/summer of 2016 on a new framework that is yet to be published. It was noted there will be a consultation on the framework in the autumn of 2015 and consortia have been informed there should be evidence of no competition between them.

The GwE Assistant Director (Standards) gave a presentation on the support and challenge provided by GwE.

- (b) The following points were noted during the subsequent discussion:
  - in response to a question from a Member regarding confirmation of the category of a school, it was noted that GCSE results in August are taken into account and that the school's category is confirmed at the beginning of September
  - in response to a query, it was noted that, with regard to secondary schools, it takes 1-2 years for a school to improve and come out of the red category
  - the need to collaborate both within and across Local Authorities to improve schools
  - some schools need intensive support with schools becoming independent in the long run.
  - the colour analysis does not show the full picture; some schools are content in the yellowy category and don't want to progress to the green; these schools should be challenged locally

- the main priorities will be shared with schools' Governing Bodies in the future and there will be understanding with regard to how to best implement the model

(c) The GwE Assistant Director (Support and Brokerage) gave a presentation on the leadership development programme.

In response to a query by a Member with regard to a long term evaluation, it was noted that the impact is assessed at the end of the academic year. It was noted that 4 individuals who took part in the middle leadership development programme have been promoted and all 4 stated that the programme had been useful.

**It was decided to: Accept and note the content of the report**

## **9. GwE BASELINE BUDGET 2015/16**

A report by the GwE Managing Director and the Host Authority Head of Finance on the GwE baseline budget for the 2015-16 financial year was presented.

The content of the report was discussed and Joint Committee Members were given an opportunity to ask questions about any elements in the report.

**It was decided to: adopt the baseline budget for 2015/16 as presented in Appendix 1**

The meeting started at 1.30 p.m. and concluded at 3.50 p.m.

**CHAIR**



<b>MEETING</b>	GwE Joint Committee
<b>DATE</b>	23 September 2015
<b>TITLE</b>	The Joint Committee's Final Accounts for the year ended 31 March 2015 and relevant Audit
<b>PURPOSE</b>	To submit – <ul style="list-style-type: none"> <li>• The Statement of Accounts post-Audit;</li> <li>• The Wales Audit Office's report;</li> <li>• Letter of Representation.</li> </ul>
<b>RECOMMENDATION</b>	To receive, note and approve the information before authorising the Chairman to certify the letter.
<b>AUTHOR</b>	Dafydd L Edwards, Head of Finance, Gwynedd Council

## 1. FINANCIAL REPORTING REQUIREMENTS

Members will recall that it was reported as follows to the 15 July 2015 meeting of GwE's Joint Committee:

- 1.1 There are specific accounting and audit reporting requirements for Joint Committees.
- 1.2 Section 12 of the Public Audit (Wales) Act 2004 states that a joint committee of two or more (local) authorities is a local government body, and Section 13 of the Act requires such bodies to maintain accounts subject to audit by an external auditor approved by the Auditor General for Wales.
- 1.3 Although they are not independent legal entities, for the purposes of keeping accounts and being audited, a joint committee is separately subject to the same regulations as other local councils.
- 1.4 Gwynedd Council is the host Council responsible for meeting the accounting and financial reporting responsibilities of GwE's Joint Committee.
- 1.5 The Accounts and Audit (Wales) Regulations 2014 require all Joint Committees to prepare year-end accounts. Where the turnover exceeds £2.5m, a statement of accounts must be prepared in accordance with the CIPFA code for the Joint Committee.
- 1.6 GwE's Statement of Accounts will be subject to an audit by the Wales Audit Office, separate to their audit of Gwynedd Council's accounts.

## **2. ACCOUNTS FOR 2014/15**

The Revenue Income and Expenditure Account for 2014/15 was submitted to the 15 July 2015 meeting of GwE's Joint Committee in simple "outturn" format, together with the Statement of Accounts for 2014/15 (pre-audit).

## **3. AUDIT**

It was noted at the time that these accounts would be subject to audit by the Wales Audit Office, and the 'ISA 260' report is presented here by the Auditor General for Wales detailing the Wales Audit Office's main findings.

## **4. FINAL ACCOUNTS FOR 2014/15**

The final version (post-audit) of the Statement of Accounts for 2014/15 is also presented herewith. The amendments since the pre-audit version have been outlined in Appendix 3 to the Wales Audit Office's 'ISA260' report.

## **5. RECOMMENDATION**

**GwE's Joint Committee is asked to receive, note and approve the information in the appendices, i.e. –**

- 'ISA260' report by the Wales Audit Office
- The Statement of Accounts for 2014/15 (post-audit)

## **6. LETTER OF REPRESENTATION**

**The Chairman of the meeting, together with Gwynedd Council's Head of Finance (as Statutory Finance Officer for GwE), are asked to certify the Letter of Representation (Appendix 1 to the Wales Audit Office's report) after the Joint Committee has considered the above.**

## **7. CERTIFICATION BY THE APPOINTED AUDITOR**

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

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

**STATEMENT OF**  
**ACCOUNTS**  
**2014/15**

## **INDEX**

	<b>Page</b>
Explanatory Foreword	2 – 4
Statement of Responsibilities	5
Movement in Reserves Statement	6
Comprehensive Income and Expenditure Statement	7
Balance Sheet	8
Cash Flow Statement	9
Notes to the Accounts	10 - 29
Auditor's Report	30 - 31
Appendix A – Annual Governance Statement	32 - 37

# **EXPLANATORY FOREWORD**

## **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 2014/15 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 2014/15*.

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 2014/15 :

Conwy	15.61%
Denbighshire	15.14%
Flintshire	22.38%
Gwynedd	17.99%
Anglesey	10.23%
Wrexham	18.65%

- **The Balance Sheet** - Sets out the financial position of the Joint Committee on 31 March 2015.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Joint Committee during 2014/15 for revenue and capital purposes.

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

## **REVENUE EXPENDITURE IN 2014/15**

- The Comprehensive Income and Expenditure Statement on page 7 shows that the Joint Committee's gross revenue expenditure was £8,474k during 2014/15, with the net position as £346k. By reversing the Code's required technical adjustments through the Movement in Reserves Statement it can be seen that there's a true net decrease of (£51k).
- The financial out-turn position for 2014/15 was reported to the Joint Committee at its meeting on 15 July 2015. Joint Committee Members' approval was sought to transfer the £51k underspend to an earmarked reserve.

- The Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement on page 6 and 7 detail the actual 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 £'000	Actual £'000	Variance £'000
Expenditure on Operations	8,327	8,623	296
Income			
Council Contributions for the core service:			
Conwy	(649)	(649)	0
Denbighshire	(629)	(629)	0
Flintshire	(930)	(930)	0
Gwynedd	(748)	(748)	0
Anglesey	(425)	(425)	0
Wrexham	(775)	(775)	0
Other Income	(4,171)	(4,518)	(347)
Net (Underspend)/Overspend	0	(51)	(51)

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

	Performance Report £'000	*Transposition Adjustment £'000	Income & Expenditure Statement £'000
Expenditure	8,623	(149)	8,474
Income	(8,674)	546	(8,128)
<b>Net Cost of Services</b>	<b>(51)</b>	<b>397</b>	<b>346</b>

\* 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 £2,524k 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 £3,670k in grants and contributions and equivalent expenditure (Note 21)

### 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.

## **FURTHER INFORMATION**

The Statement of Accounts is available on Gwynedd Council's website [www.gwynedd.gov.uk](http://www.gwynedd.gov.uk).

Further information relating to the accounts is available from:

William E Jones  
Senior Finance Manager  
01286 679406

or

Caren Rees Jones  
Central Accountancy Unit, Finance Department  
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 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 and the Responsible Financial 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.

**23 September 2015**

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**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 of Practice.

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 2015 and its income and expenditure for the year then ended.

**17 September 2015**

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



## 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
<b>Opening Balance 1 April 2013</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>4,097</b>	<b>4,097</b>
<u>Movement in reserves during 2013/14</u>						
(Surplus)/Deficit on provision of services		(495)	0	(495)	0	(495)
Other Comprehensive Income and Expenditure		0	0	0	(1,104)	(1,104)
<b>Total Comprehensive Income and Expenditure</b>		<b>(495)</b>	<b>0</b>	<b>(495)</b>	<b>(1,104)</b>	<b>(1,599)</b>
Adjustments between accounting basis and funding basis under regulations	8	(282)	0	(282)	282	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>(777)</b>	<b>0</b>	<b>(777)</b>	<b>(822)</b>	<b>(1,599)</b>
Transfers to/from Earmarked Reserves	9	777	(777)	0	0	0
<b>(Increase)/Decrease in 2013/14</b>		<b>0</b>	<b>(777)</b>	<b>(777)</b>	<b>(822)</b>	<b>(1,599)</b>
<b>Balance 31 March 2014 carried forward</b>		<b>0</b>	<b>(777)</b>	<b>(777)</b>	<b>3,275</b>	<b>2,498</b>
<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
<b>Total Comprehensive Income and Expenditure</b>		<b>482</b>	<b>0</b>	<b>482</b>	<b>1,420</b>	<b>1,902</b>
Adjustments between accounting basis and funding basis under regulations	8	(2)	0	(2)	2	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>480</b>	<b>0</b>	<b>480</b>	<b>1,422</b>	<b>1,902</b>
Transfers to/from Earmarked Reserves	9	(480)	480	0	0	0
<b>(Increase)/Decrease in 2014/15</b>		<b>0</b>	<b>480</b>	<b>480</b>	<b>1,422</b>	<b>1,902</b>
<b>Balance 31 March 2015 carried forward</b>		<b>0</b>	<b>(297)</b>	<b>(297)</b>	<b>4,697</b>	<b>4,400</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – 2014/15

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

2013/14			Note	2014/15		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
2,264	0	2,264	Employees	2,624	0	2,624
31	0	31	Property	6	0	6
98	0	98	Transport	137	0	137
370	0	370	Supplies and Services	1,492	0	1,492
0	0	0	Third Party	4,215	0	4,215
853	(853)	0	Exceptional Item *	0	0	0
287	0	287	Non Distributed Costs	0	0	0
0	(3,730)	(3,730)	Income	0	(8,128)	(8,128)
<b>3,903</b>	<b>(4,583)</b>	<b>(680)</b>	<b>Cost of Services</b>	<b>8,474</b>	<b>(8,128)</b>	<b>346</b>
0	0	0	Other Operating Expenditure	0	0	0
185	0	185	Financing and Investment Income and Expenditure	136	0	136
0	0	0	Taxation and non-specific grant income	0	0	0
<b>4,088</b>	<b>(4,583)</b>	<b>(495)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>8,610</b>	<b>(8,128)</b>	<b>482</b>
		(1,104)	Remeasurements of the net defined benefit liability/(assets)			1,420
		<b>(1,104)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>1,420</b>
		<b>(1,599)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>1,902</b>

\* One off GwE start-up costs and income.

## BALANCE SHEET – 31 MARCH 2015

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 2014 £'000		Note	31 March 2015 £'000
	<b>Long Term Assets</b>		
0	Long Term Debtors		11
<b>0</b>			<b>11</b>
1,041	Short Term Debtors	11	5,398
126	Cash and Cash Equivalents	12	0
<b>1,167</b>	<b>Current Assets</b>		<b>5,398</b>
0	Bank Overdraft	12	(762)
(440)	Short Term Creditors	13	(4,279)
0	Grants Receipts in Advance	21	(120)
<b>(440)</b>	<b>Current Liabilities</b>		<b>(5,161)</b>
0	Long Term Provisions	14	(4)
(3,225)	Pension Liability	26	(4,644)
<b>(3,225)</b>	<b>Long Term Liabilities</b>		<b>(4,648)</b>
<b>(2,498)</b>	<b>Net Assets/(Liabilities)</b>		<b>(4,400)</b>
(777)	Usable Reserves	15	(297)
3,275	Unusable Reserves	16	4,697
<b>2,498</b>	<b>Total Reserves</b>		<b>4,400</b>

## CASH FLOW STATEMENT – 2014/15

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

2013/14 £'000	Note	2014/15 £'000
(495) Net (Surplus) or Deficit on the Provision of Services		482
369 Adjustments to net surplus or deficit on the provision of services for non-cash movements ( <i>creditors, debtors and pension</i> )	17	395
0 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		0
(126) Net cash flows from Operating Activities		877
0 Investing Activities		11
0 Financing Activities		0
(126) Net (Increase)/Decrease in cash and cash equivalents		888
0 Cash and cash equivalents at the beginning of the reporting period		(126)
(126) Cash and cash equivalents at the end of the reporting period		762

\* Cash Flow position in line with Accounting Policy 1.3.

# **NOTES TO THE ACCOUNTS**

## **NOTE I – ACCOUNTING POLICIES**

### **I.1 General Principles**

The Statement of Accounts summarises the Joint Committee's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15* and the Service Reporting Code of Practice 2014/15, 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.

### **I.2 Accruals of Expenditure and Income**

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

- Revenue from the sale of goods is recognised when the 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.

### **I.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.

### **I.4 Employee Benefits**

#### **I.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 I – ACCOUNTING POLICIES (continued)**

### **I.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.

### **I.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.

### **I.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 3.2% 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 I – 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) 2014/15. 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.

### **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 2014/15 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 2014/15 has introduced several changes in accounting policies which will be required from 1 April 2014. The changes relevant to the Joint Committee are as follows:

**Annual Improvements to IFRSs 2011-2013 Cycle** - These improvements are minor, principally providing clarification.

It is not likely that the above changes will have a material effect on the Joint Committee’s 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.

## **NOTE 4 – CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)**

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 2015 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 25 and 26.

## **NOTE 6 – MATERIAL ITEMS OF INCOME AND EXPENSE**

Related items include:-

- A movement of £2,524k 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 £3,670k 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.

<b>2014/15</b>		
<b>ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS</b>	<b>Usable Reserve General Fund Balance</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 26)	(551)	551
Employer's pensions contributions and direct payments to pensioners payable in the year	552	(552)
<b>Adjustment primarily involving the Accumulated Absences Account</b>		
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
<b>Total Adjustments</b>	<b>(2)</b>	<b>2</b>

<b>2013/14</b>		
<b>ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS</b>	<b>Usable Reserve General Fund Balance</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 26)	(886)	886
Employer's pensions contributions and direct payments to pensioners payable in the year	654	(654)
<b>Adjustment primarily involving the Accumulated Absences Account</b>		
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	(50)	50
<b>Total Adjustments</b>	<b>(282)</b>	<b>282</b>

## 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

	<b>GwE Joint Committee Reserves</b>
	<b>£'000</b>
<b>Balance 31 March 2014</b>	<b>777</b>
<u>Transfers:</u>	
Between Reserves	0
In	15
Out	(495)
<b>Balance 31 March 2015</b>	<b>297</b>

## NOTE 10 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
185	Net interest on the net defined benefit liability (asset)	136
<b>185</b>	<b>Total</b>	<b>136</b>

## NOTE 11 – SHORT-TERM DEBTORS

	<b>31 March 2014</b>	<b>31 March 2015</b>
	<b>£'000</b>	<b>£'000</b>
Welsh Government	0	1,580
Central Government Bodies	2	67
Other Local Authorities	1,022	3,738
Other Entities and Individuals	17	13
<b>Total</b>	<b>1,041</b>	<b>5,398</b>

## 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 2014 £'000	31 March 2015 £'000
Cash in Hand	126	0
<b>Cash and Cash Equivalents</b>	<b>126</b>	<b>0</b>
Bank Overdraft	0	(762)
<b>Total</b>	<b>126</b>	<b>(762)</b>

## NOTE 13 – SHORT-TERM CREDITORS

	31 March 2014 £'000	31 March 2015 £'000
Welsh Government	0	1
Other Central Government Bodies	46	57
Other Local Authorities	277	3,866
Public Corporations and Trading	6	0
Other Entities and Individuals	111	355
<b>Total</b>	<b>440</b>	<b>4,279</b>

## 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 provisions noted below have been identified as being long term provisions (over 12 months). However, the provision level on all related items are reviewed periodically.

	Balance at 31 March 2014 £'000	(Addition) / Reduction / Transfer £'000	Used during the year £'000	Balance at 31 March 2015 £'000
<b><u>Long Term Provisions</u></b>				
Pension Provision	0	(4)	0	(4)
	0	(4)	0	(4)

**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

<b>31 March 2014</b>		<b>31 March 2015</b>
<b>£'000</b>		<b>£'000</b>
(3,225)	Pensions Reserve	(4,644)
(50)	Accumulated Absences Account	(53)
<b>(3,275)</b>	<b>Total Unusable Reserves</b>	<b>(4,697)</b>

### 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.

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
<b>(4,097)</b>	<b>Balance 1 April</b>	<b>(3,225)</b>
1,104	Re-measurements of the net defined benefit liability / (assets)	(1,420)
(886)	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	(551)
654	Employer's pensions contributions and direct payments to pensioners payable in the year	552
<b>(3,225)</b>	<b>Balance 31 March</b>	<b>(4,644)</b>

## 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.

2013/14		2014/15
£000		£000
0	Balance 1 April	(50)
(50)	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)
(50)	Balance 31 March	(53)

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

2013/14		2014/15
£'000		£'000
(440)	(Increase)/Decrease in Creditors	(3,971)
1,041	Increase/(Decrease) in Debtors	4,489
(232)	Pension Liability	2
0	Other non-cash items charged to net surplus/deficit on the provision of services	(125)
369		395

## 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 Explanatory Forward (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:

2013/14				Chief Officers	2014/15			
Employer's		Other	Total		Employer's		Other	Total
Pension	Employer	Costs			Pension	Employer	Costs	
Salary	Contribution				Salary	Contribution		
£	£	£	£		£	£	£	£
34,749	11,363	72,170	118,282	Chief Officer <sup>1</sup>	0	0	0	0
48,648	15,908	0	64,556	Chief Officer <sup>2</sup>	83,397	22,840	22	106,259

<sup>1</sup> Employed in post up to 31 August 2013

<sup>2</sup> Employed in post from 1 September 2013

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 and 3 cases in 2013/14. 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 2013-14		Number in 2014-15
Total		Total
1	£60,000 - 64,999	0
1	£65,000 - 69,999	1
0	£70,000 - 74,999	1
0	£75,000 - 79,999	0
0	£80,000 - 84,999	0
0	£85,000 - 89,999	0
1	£90,000 - 94,999	0

## NOTE 20 – EXTERNAL AUDIT COSTS

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

2013/14	2014/15
£'000	£'000
6 Fees for External Audit Services	8



## NOTE 21 – GRANT INCOME

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

	2013/14		2014/15	
	£'000	£'000	£'000	£'000
<b>Grants and Contributions Credited to Services</b>				
Welsh Government -				
Schools Challenge Cymru (SCC)	0		1,020	
GCSE, PISA and Science Literacy	0		459	
NPQH - National Professional Qualification for Headship	0		81	
Literacy & Numeracy development - Primary Phase	0		75	
Other	0		214	
		<b>0</b>		<b>1,849</b>
Other Government Grants and Contributions -				
Sports Council for Wales	0		95	
		<b>0</b>		<b>95</b>
Other Grants and Contributions -				
Councils' Contributions towards the Core Service				
Conwy	551		649	
Denbighshire	531		629	
Flintshire	791		931	
Gwynedd	635		748	
Anglesey	356		425	
Wrexham	656		775	
		<b>3,520</b>		<b>4,157</b>
SEG and WEG * :				
Match funding from Councils				
Conwy	0		204	
Denbighshire	0		325	
Flintshire	0		304	
Gwynedd	0		352	
Anglesey	0		215	
Wrexham	0		354	
Welsh Government	0		152	
		<b>0</b>		<b>1,906</b>
Other		<b>853</b>		<b>36</b>
		<b>4,373</b>		<b>6,099</b>
<b>Total Grants and Contributions Credited to Services</b>		<b>4,373</b>		<b>8,043</b>

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

## NOTE 21 – GRANT INCOME (continued)

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 2014 £'000	31 March 2015 £'000
<b>Grants and Contributions Received in Advance</b>		
<b><u>Short Term</u></b>		
Sports Council for Wales	0	120
<b>Total</b>	<b>0</b>	<b>120</b>

## 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.

### 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 2015 made to these companies under this heading during 2014/15 is as follows:

<b>Payments made</b>	<b>Amounts owed by the Joint Committee</b>	<b>Amounts owed to the Joint Committee</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
4	2	0

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

### Officers

The Joint Committee's Senior Officers have 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 2014/15, 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. In 2013/14 all of the packages listed are for officers who transferred over to GwE and were financed entirely by the originating authorities (see Note 24).

(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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£	Number	Number	Number	Number	Number	Number	£'000	£'000
0 - 20,000	4	0	0	0	4	0	56	0
20,001 - 40,000	6	0	0	0	6	0	158	0
40,001 - 60,000	6	0	0	0	6	0	273	0
60,001 - 80,000	3	1	0	0	3	1	199	69
80,001 - 100,000	1	0	0	0	1	0	95	0
100,001 - 150,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>20</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>1</b>	<b>781</b>	<b>69</b>

## NOTE 24 – EXCEPTIONAL ITEM

The exceptional item in the Comprehensive Income and Expenditure Statement (2013/14) indicates the one-off start up costs for the GwE Joint Committee. The main element are the costs of exit packages as indicated in Note 23, financed from contributions from each originating authority.

## NOTE 25 – 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.

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

## **NOTE 25 – PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES (continued)**

the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15 the Joint Committee paid £7k (2013/14: £2k) in respect of teachers' pension costs, which represented 14.10% 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 2014/15 and 2013/14. These costs are accounted for on a defined benefits basis and are included in Note 26.

## **NOTE 26 – 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 final salary scheme, meaning that the authority and employees pay contributions into a 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 26 – PENSION COSTS (continued)

Change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability	Period ended 31 March 2014			Period ended 31 March 2015		
	Assets	Liabilities	Net (liability) /asset	Assets	Liabilities	Net (liability) /asset
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	9,806	0	9,806	10,980	0	10,980
Present Value of Funded Liabilities		(13,903)	(13,903)	0	(14,205)	(14,205)
Present Value of Unfunded Liabilities		0	0	0	0	0
<b>Opening Position at 31 March</b>	<b>9,806</b>	<b>(13,903)</b>	<b>(4,097)</b>	<b>10,980</b>	<b>(14,205)</b>	<b>(3,225)</b>
Service Cost						
Current Service Cost*	0	(414)	(414)	0	(415)	(415)
Past Service Costs(including curtailments)	0	(287)	(287)	0	0	0
<b>Total Service Cost</b>	<b>0</b>	<b>(701)</b>	<b>(701)</b>	<b>0</b>	<b>(415)</b>	<b>(415)</b>
Net interest						
Interest Income on Plan Assets	447	0	447	484	0	484
Interest Cost on Defined Benefit Obligation	0	(632)	(632)	0	(620)	(620)
<b>Total Net Interest</b>	<b>447</b>	<b>(632)</b>	<b>(185)</b>	<b>484</b>	<b>(620)</b>	<b>(136)</b>
<b>Total Defined Benefit Cost Recognised in Profit/(Loss)</b>	<b>447</b>	<b>(1,333)</b>	<b>(886)</b>	<b>484</b>	<b>(1,035)</b>	<b>(551)</b>
Cashflows						
Plan participants contributions	109	(109)	0	142	(142)	0
Employer contributions	645	0	645	540	0	540
Contributions in respect of unfunded benefits	0	0	0	0	0	0
Benefits Paid	(406)	406	0	(137)	137	0
Unfunded Benefits Paid	0	0	0	0	0	0
<b>Expected Closing Position</b>	<b>10,601</b>	<b>(14,939)</b>	<b>(4,338)</b>	<b>12,009</b>	<b>(15,245)</b>	<b>(3,236)</b>
Re-measurements						
Change in demographic assumptions	0	0	0	0	0	0
Change in financial assumptions	0	(420)	(420)	0	(2,376)	(2,376)
Other experience	0	1,154	1,154	0	67	67
Return on Assets excluding amounts included in net interest	379	0	379	901	0	901
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>379</b>	<b>734</b>	<b>1,113</b>	<b>901</b>	<b>(2,309)</b>	<b>(1,408)</b>
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
<b>Closing Position at 31 March</b>	<b>10,980</b>	<b>(14,205)</b>	<b>(3,225)</b>	<b>12,910</b>	<b>(17,554)</b>	<b>(4,644)</b>

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

## NOTE 26 – 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 2014. The split is shown in the table above. The actuary estimates the bid value of the Fund's assets as at 31 March 2015 to be £1,486,000,000 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 2014					At 31 March 2015				
	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	%	
<b>Equity Securities</b>										
Consumer	206	0	206	2		358	0	358	3	
Energy and Utilities	263	0	263	2		266	0	266	2	
Financial Institutions	92	0	92	1		201	0	201	2	
Health and Care	487	0	487	4		537	0	537	4	
Information Technology	306	0	306	3		375	0	375	3	
Other	501	0	501	5		654	0	654	5	
<b>Private Equity</b>										
All	0	525	525	5		0	546	546	4	
<b>Real Estate</b>										
UK Property	0	945	945	9		0	1,238	1,238	10	
Overseas Property	0	28	28	0		0	37	37	0	
<b>Investment Funds and Unit Trusts</b>										
Equities	2,463	3,217	5,680	52		2,948	3,668	6,616	51	
Bonds	0	1,632	1,632	15		0	1,788	1,788	14	
Infrastructure	0	48	48	0		0	61	61	0	
<b>Derivatives</b>										
Inflation	0	0	0	0		0	0	0	0	
<b>Cash and Cash Equivalents</b>										
All	268	0	268	2		233	0	233	2	
<b>Total</b>	<b>4,586</b>	<b>6,395</b>	<b>10,981</b>	<b>100</b>		<b>5,572</b>	<b>7,338</b>	<b>12,910</b>	<b>100</b>	

## NOTE 26 – 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 being based on the latest full valuation of the scheme as at 31 March 2013. The significant assumptions used by the actuary are as follows:-

	31 March 2014	31 March 2015
<b>Financial Assumptions</b>	<b>% p.a.</b>	<b>% p.a.</b>
Pensions Increase Rate	2.8	2.4
Salary Increase Rate*	4.6	4.3
Inflation Rate	2.8	2.4
Discount rate	4.3	3.2
Long term expected rate of return on all categories of assets	4.3	3.2
<b>Take-up option to convert annual pension into retirement lump sum</b>		
for pre-April 2008 service	50	50
for post-April 2008 service	75	75
<b>Mortality assumptions</b>	<b>Years</b>	<b>Years</b>
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 2015 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). The figures in the table below have been derived based on the membership profile of the Joint Committee as at 31<sup>st</sup> 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.

## NOTE 26 – PENSION COSTS (continued)

Impact on the Defined Benefit Obligation in the Scheme Change in assumption	Approximate increase to Employer 31 March 2015 %	Approximate monetary amount 31 March 2015 £'000
0.5% decrease in real discount rate	10	1,832
1 year increase in life expectancy	3	527
0.5% increase in the salary increase rate	3	596
0.5% increase in the pension increase rate	7	1,191

### 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 £'000	%	Duration
Active Members	12,867	73.3	22.6
Deferred Members	389	2.2	33.7
Pensioner Members	4,298	24.5	14.7
<b>Total</b>	<b>17,554</b>	<b>100.0</b>	<b>20.6</b>

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 2016 is £513,000.

As the Actuary's report is based on estimates and due to timing issues, there is a variance of £12,650 in 2014/15 (£8,523 in 2013/14) 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 2015 under the Public Audit (Wales) Act 2004.

Gwynedd Council'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 2014-15 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 Explanatory Foreword 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 2015 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 2014-15.

### **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword 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 Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

**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 2015**

**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 2015 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 on findings will be produced in June 2015.

GwE's assessment of the effectiveness of its Governance Framework during 2014/15 used the review undertaken by Internal Audit during 2013/14 as a basis. Internal Audit did not undertake further specific work within GwE during 2014/15. Internal Audit work is planned for 2015/16, the results of which will inform GwE's assessment of its governance framework.

### **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.

An Annual 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:

- 30/04/2014
- 09/07/2014
- 29/09/2014
- 06/11/2014
- 17/12/2014
- 25/02/2015
- 15/07/2015

### **Risk Management**

GwE's risk register has been updated in December 2014. 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 2013/14 was presented to the Joint Committee at their meeting on 17/12/14.

## **User Needs and Complaints**

The Service follows Gwynedd Council complaints procedure. During 2014/15 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:
  - 10/06/14
  - 01/10/14
  - 26/11/14
  - 20/01/15
  - 03/03/15
- 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**.

**The governance framework for GwE remained in its original form for 2014/15. In response to the National Model, changes have been proposed & are in the process of being approved by each of the 6 Councils.**

## **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, a report on their findings was published in June 2015.

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

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

## **Part 6: OPINION**

Over the coming year changes will be made to the governance structure of GwE in response to the National Model.

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**GwE Lead Officer**

**Date :** \_\_\_\_\_

HUW FOSTER EVANS

GwE MANAGING DIRECTOR

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**GwE Chairman**

**Date:** \_\_\_\_\_

COUNCILLOR ERYL WILLIAMS

DENBIGHSHIRE COUNTY COUNCIL



# Audit of Financial Statements Report

## **GwE Joint Committee**

**Audit year:** 2014-15

**Issued:** September 2015

**Document reference:** GwE2015

# Status of report

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties.

In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [info.officer@audit.wales](mailto:info.officer@audit.wales).

# Contents

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The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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## Summary report

Introduction	4
Status of the audit	4
Proposed audit report	4
Significant issues arising from the audit	4
Recommendations arising from our 2014-15 financial audit work	6
Independence and objectivity	6

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## Appendices

Final Letter of Representation	7
Proposed audit report of the Auditor General to GwE Joint Committee	10
Summary of corrections made to the draft financial statements which should be drawn to the attention of GwE Joint Committee	12
Recommendations arising from our 2014-15 financial audit work	14

# Summary report

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## Introduction

1. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of GwE Joint Committee at 31 March 2015 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative level at which we judge such misstatements to be material for GwE Joint Committee is £88,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of GwE Joint Committee, for 2014-15, that require reporting under ISA 260.

## Status of the audit

6. We received the draft financial statements for the year ended 31 March 2015 on the statutory deadline of 30 June 2015, and have now substantially completed the audit work.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with Dafydd Edwards, Head of Finance.

## Proposed audit report

8. **It is the Auditor General's intention to issue an unqualified audit report on the financial statements** once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#).

## Significant issues arising from the audit

### Uncorrected misstatements

10. We set out below the misstatement we identified in the financial statements, which has been discussed with management but remains uncorrected, and request that this is

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corrected. If you decide not to correct this misstatement, we ask that you provide us with the reasons for non-correction.

#### Expenditure on capital equipment has not been capitalised

- IT equipment costing £35,700 was purchased during the year which should have been capitalised and treated in accordance with proper capital accounting practices.

#### Corrected misstatements

11. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#)

#### Other significant issues arising from the audit

12. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

#### We have two concerns about the qualitative aspects of your accounting practices and financial reporting

13. We have the following concerns about the qualitative aspects of your accounting practices and financial reporting:
  - GwE's accounting policy 1.2 *Accruals of Income and Expenditure* confirms that activity is accounted for in the year it takes place, not simply when cash payments are made or received. We identified several transactions which related in full or in part to the 2015-16 financial year, resulting in an adjustment of £120,000. A number of these were for costs relating to the academic year which had been fully accounted for in the 2014-15 financial year, despite the fact that the academic year straddles two financial years and needs to be apportioned accordingly.
  - Our audit work identified a number of disclosure requirements that had not been fully met. The Code of Practice on Local Authority Accounting includes a disclosure checklist for use by bodies to ensure that the accounts fully comply with the disclosure requirements which had not been used in the preparation of GwE's accounts. We recommend its use in future.

#### There are no other matters that we need to report to you

14. There are no other matters to report to you. In particular:
  - We did not encounter any significant difficulties during the audit;

- 
- there were no significant matters discussed and corresponded upon with management which we need to report to you;
  - there are no other matters significant to the oversight of the financial reporting process that we need to report to you;
  - we did not identify any material weaknesses in your internal controls; and
  - there are no other matters specifically required by auditing standards to be communicated to those charged with governance.

## Recommendations arising from our 2014-15 financial audit work

15. The recommendations arising from our financial audit work are set out in [Appendix 4](#).

## Independence and objectivity

16. As part of the finalisation process, we are required to provide you with representations concerning our independence.
17. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and GwE Joint Committee that we consider to bear on our objectivity and independence.

# Appendix 1

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## Final Letter of Representation

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

23 September 2015

Dear Sir,

### Representations regarding the 2014-15 financial statements

This letter is provided in connection with your audit of the financial statements of the GwE Joint Committee for the year ended 31 March 2015 for the purpose of expressing an opinion on their truth and fairness.

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

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

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

#### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- 
- Our knowledge of fraud, or suspected fraud, that we are aware of and that affects the GwE Joint Committee and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements.
  - Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
  - Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
  - The identity of all related parties and all the related party relationships and transactions of which we are aware.

### Financial statement representations

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

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

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

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

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

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

The auditor's report refers, in paragraph 13, to concerns about accruals in respect of grant income and expenditure. As it related to the academic year, part of the income and expenditure (relating to the summer term) should have been recorded against 2015/16.

The accrued expenditure is negated by the equal amounts of related grant income, and therefore has no effect on the actual net expenditure (i.e. no change to "the bottom line").

In order to address this in subsequent financial years' accounts, we will consult with the funding bodies (primarily the Welsh Government) to achieve greater clarity in the conditions of grant, etc.

The auditor's report, in a bullet point under paragraph 10, states that expenditure on IT equipment should have been capitalised. In accordance with the Joint Committee's revised Accounting Policy (section 1.1), this £35,700 may be treated as revenue. The auditor's



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comments are noted and such items will receive due consideration in subsequent years' accounts.

The auditor's report also refers to use of the appropriate disclosure checklist, which is a technical accounting matter.

### **Representations by the GwE Joint Committee**

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the GwE Joint Committee on 23 September 2015.

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

Yours sincerely,

.....  
**DAFYDD L EDWARDS**  
**HEAD OF FINANCE**  
**GWYNEDD COUNCIL**

.....  
**COUNCILLOR ERYL WILLIAMS**  
**CHAIRMAN**  
**GwE JOINT COMMITTEE**

Date .....

Date .....

# Appendix 2

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## Proposed audit report of the Auditor General to GwE Joint Committee

### 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 2015 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 2014-15 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 Explanatory Foreword 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 2015 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 2014-15.

### **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword 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 Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

### **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 2015**

## Appendix 3

### Summary of corrections made to the draft financial statements which should be drawn to the attention of GwE Joint Committee

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

Value of correction	Nature of correction	Reason for correction
£120,000	Correct expenditure recorded in the wrong period and corresponding income Supplies and Services -£99,000 Third Party Expenditure -£21,000 Income +£120,000	To account for expenditure in the correct period
£7,700	To correct classification in Note 13 Other Local Authorities +£7,700 Other Entities and Individuals -£7,700	To comply with disclosure requirements
£92,000	Correct overstated grant income and corresponding expenditure - School Challenge Cymru Income +£92,000 Third Party Expenditure -£90,000 Supplies and Services -£ 2,000	To correct for overstated income and expenditure
£20,000	Correct overstated grant income and corresponding third party expenditure - GCSE, PISA and science literacy Income +£20,000 Third Party Expenditure -£20,000	To correct for overstated income and third party expenditure
Additional narrative	Note 4 – Critical Judgements Note 5 – Assumptions about estimation uncertainties Additional information to provide further explanation relevant to the accounts	To inform the reader
Additional narrative	Explanatory Foreword Additional information relating to material items of income and expenditure	To comply with disclosure requirements
Additional narrative	Annual Governance Statement	To inform the reader

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	Additional information relating to the findings of the Joint Service Review carried out by Estyn and Wales Audit Office	
Additional disclosure	Add disclosure note on segmental reporting	To comply with disclosure requirements

# Appendix 4

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## Recommendations arising from our 2014-15 financial audit work

We set out the recommendations arising from our audit with management's response to them:

### Matter arising 1 – Accruals and Prepayments

<b>Findings</b>	A number of expenditure transactions had been accounted for, either in part or in full, in the wrong financial year
<b>Priority</b>	High
<b>Recommendation</b>	Ensure that financial transactions are accounted for in the correct financial year in accordance with accounting policies
<b>Benefits of implementing the recommendation</b>	Correctly reflect income and expenditure for the financial year
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	<p>In respect of some specific grants, both the relevant expenditure and the grant income had been fully accounted for in 2014/15. As it related to the academic year, it follows that part of this income and expenditure should have been recorded against 2015/16.</p> <p>In order to address this in subsequent years' accounts, we will consult with the funding bodies to achieve greater clarity in the conditions of grant, etc.</p>
<b>Implementation date</b>	With immediate effect

### Matter arising 2 – Capital Accounting

<b>Findings</b>	Non- current assets were not capitalised
<b>Priority</b>	Medium
<b>Recommendation</b>	Ensure that the purchase of non-current assets are accounted for appropriately
<b>Benefits of implementing the recommendation</b>	To correctly recognise non-current assets within the financial statements
<b>Accepted in full by management</b>	Recommendation above accepted (in the context of our related accounting policy).

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### Matter arising 2 – Capital Accounting

<b>Management response</b>	<p>The Joint Committee's Accounting Policy (section 1.1) includes that all items of expenditure are treated as revenue in the first instance.</p> <p>Any items of a capital nature would be considered as to whether materially significant on the true and fair presentation of the financial position.</p> <p>The £35,700 in 2014/15 relates to a single transaction and in the context, is not considered significantly material.</p>
<b>Implementation date</b>	Immediate (in accordance with the related accounting policy).

### Matter arising 3 – Disclosure Checklist

<b>Findings</b>	There were a number of disclosure amendments required to the draft accounts
<b>Priority</b>	Medium
<b>Recommendation</b>	In future use the Code disclosure checklist to ensure that all disclosure requirements are met.
<b>Benefits of implementing the recommendation</b>	To ensure that the accounts comply with the Code of Practice on Local Government Accounting
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	The required and necessary information was already incorporated within the Statement of Accounts, however we will comply with the above recommendation in the future
<b>Implementation date</b>	2015-16 accounts.

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Cardiff CF11 9LJ

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<b>MEETING</b>	GwE Joint Committee
<b>DATE</b>	23 September 2015
<b>TITLE</b>	2015/16 GwE Budget – Summer 2015 Term Review
<b>PURPOSE</b>	<ul style="list-style-type: none"> <li>To update Joint Committee members on the latest financial review of GwE budget for the 2015/16 financial year.</li> <li>The report focuses on the significant financial variances, with an Appendix that contains financial information in full.</li> </ul>
<b>RECOMMENDATION</b>	Accept the report.
<b>AUTHOR</b>	GwE Managing Director and Head of Finance, Gwynedd Council

## 1. CONCLUSION

- 1.1 The 2015 summer term review estimates a net underspend of (£29,903) against the budget, with the underspend on rent and travel costs.
- 1.2 The following part of the report explains the reasons for the main variances.

## **2. FINANCIAL VARIANCES**

### **2.1 Building: (£21,497) underspend:**

The 'Premises' heading in the 2015-16 Budget was increased to reflect the full year rental costs of the new premises based in Caernarfon and Conwy. The relocation date was delayed and has therefore led to a one-off underspend in 2015/16.

### **2.2 Travel costs: (£8,407) underspend:**

In reviewing the heading during the set up of the 2015/16 budget, it was decided to reduce the travel expenses budget in line with actual expenditure. Nevertheless the trend in 2015/16 suggests a small underspend.

## **3. GRANTS: ADMINISTRATION AND MANAGEMENT INCOME**

- 3.1 The report does not include a consideration of possible savings through the administration and management element of specific grants. A report on this matter will be presented to the next meeting.

## **4. THE UNDERSPEND FUND**

- 4.1 The fund balance at the start of the 2015/16 financial year was £266,829, and the GwE Joint Committee has previously committed £135,000 on specific schemes. Including the estimated 2015/16 underspend of £29,903, the estimated un-committed fund is £161,732

## **APPENDICES**

Appendix 1: 2015/16 GwE Budget – Summer 2015 Term Review

## COUNCILS (NORTH WALES)

## GWE 2015-16 - SUMMER 2015 TERM REVIEW

	Opening Budget £	Adjustments £	Final Budget £	Final Expenditure £	Under / (Over) Spend Net £
<b>Expenditure</b>					
Employees					
Salaries					
- Management, Brokerage, Standards and Administration	759,859		759,859	759,860	0
- System Leader	2,255,389		2,255,389	2,255,389	0
Training, advertising and other employee costs	25,630		25,630	25,630	0
Building					
Rent (includes services)	92,997		92,997	71,500	(21,497)
Travel					
Travel Costs	122,822		122,822	114,415	(8,407)
Supplies and Services					
Furniture, equipment, printing, postage, telephone, room hire etc	30,000		30,000	30,000	0
Information Technology	15,000		15,000	15,000	0
Audit Fees	7,590		7,590	7,590	0
Brokerage	259,400		259,400	259,400	0
Gwynedd Council Host Authority Support Service Costs					
Legal	5,187		5,187	5,187	0
Human Resources	8,894		8,894	8,894	0
Finance	38,466		38,466	38,466	0
Information Technology	42,544		42,544	42,544	0
National Model Commitments	492,478		492,478	492,478	0
Specific Projects					
Education Improvement Grant	5,486,845	50,250	5,537,095	5,537,095	0
Schools Challenge Cymru (SCC)	347,715		347,715	347,715	0
New GCSEs, PISA and science literacy	721,044		721,044	721,044	0
Additional funding Year 9 cross-curricula LNF	70,000		70,000	70,000	0
IRIS Connect	44,500		44,500	44,500	0
CPD - Welsh Baccalaureate	50,000		50,000	50,000	0
Learning in Digital Wales	181,348		181,348	181,348	0
Physical Literacy Programme in Schools (PLPS)	331,841		331,841	331,841	0
Mentoring & Networking Support to New Head teachers	4,000		4,000	4,000	0
<b>Total Expenditure</b>	<b>11,393,549</b>	<b>50,250</b>	<b>11,443,799</b>	<b>11,413,895</b>	<b>(29,903)</b>
<b>Income</b>					
Core Service Contributions					
- Anglesey Council (10.14%)	(421,410)		(421,410)	(421,410)	0
- Gwynedd Council (17.78%)	(739,138)		(739,138)	(739,138)	0
- Conwy Council (15.50%)	(644,348)		(644,348)	(644,348)	0
- Denbighshire Council (15.22%)	(632,512)		(632,512)	(632,512)	0
- Flintshire Council (22.51%)	(935,531)		(935,531)	(935,531)	0
- Wrexham Council (18.85%)	(783,317)		(783,317)	(783,317)	0
Specific Projects					
Education Improvement Grant	(5,486,845)	(50,250)	(5,537,095)	(5,537,095)	0
Schools Challenge Cymru (SCC)	(347,715)		(347,715)	(347,715)	0
New GCSEs, PISA and science literacy	(721,044)		(721,044)	(721,044)	0
Additional funding Year 9 cross-curricula LNF	(70,000)		(70,000)	(70,000)	0
IRIS Connect	(44,500)		(44,500)	(44,500)	0
CPD - Welsh Baccalaureate	(50,000)		(50,000)	(50,000)	0
Learning in Digital Wales	(181,348)		(181,348)	(181,348)	0
Physical Literacy Programme in Schools (PLPS)	(331,841)		(331,841)	(331,841)	0
Mentoring & Networking Support to New Head teachers	(4,000)		(4,000)	(4,000)	0
<b>Total Income</b>	<b>(11,393,549)</b>	<b>(50,250)</b>	<b>(11,443,799)</b>	<b>(11,443,799)</b>	<b>0</b>
<b>Total</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>(29,904)</b>	<b>(29,903)</b>
<b>Memorandum -</b>					
<b>The GwE Underspend Reserve</b>					
			<b>Fund balance as at 1 April 2015</b>	<b>(266,829)</b>	
			Add - Underspend for the financial year 2015/16	<b>(29,903)</b>	
				<b>(296,732)</b>	
			<b>Less - committed expenditure</b>	<b>135,000</b>	
			<b>Uncommitted</b>	<b>(161,732)</b>	
<b>Information Technology Renewal Fund</b>					
			<b>Fund balance as at 1 April 2015</b>	<b>(30,000)</b>	
			Add - Contribution for the financial year 2015/16	<b>(15,000)</b>	
			<b>Fund balance as at 31 March 2016</b>	<b>(45,000)</b>	



## **REPORT FOR THE JOINT COMMITTEE**

**23 SEPTEMBER 2015**

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**Report by:** GwE Business Manager

**Subject:** Meetings Calendar

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### **1.0 Purpose of the Report**

1.1 To request the Joint Committee to amend the date of the next meeting.

### **2.0 Background**

2.1 The Joint Committee shall meet as and when required to suit the needs of the Service in accordance with the Service timetable provided that there be a minimum of three meetings per year, one of which shall be specified as the annual general meeting. The venue for the meetings shall be agreed by the Joint Committee.

### **3.0 Considerations**

3.1 Proposed Meeting dates for the 2015/16 are included as Appendix 1.

3.2 If alterations to the calendar are required, it is proposed that the Chair be authorised to make changes following appropriate consultation.

3.3 It is proposed that the meetings be held in a central North Wales location, i.e. Conwy.

### **4.0 Recommendations**

4.1 The Joint Committee is requested to:

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4.1.1 Approve the meetings as proposed within Appendix 1.

4.1.2 That the Chair be authorised to make amendments to the calendar if required.

## **5.0 Financial Implications**

5.1 There are no financial implications arising from this report.

## **6.0 Equalities Impact**

6.1 There are no new equalities impacts arising from this report.

## **7.0 Personnel Implications**

7.1 There are no new personnel implications arising from this report.

## **8.0 Consultation Undertaken**

8.1 Consultation has been undertaken with the 6 North Wales Local Authorities, to avoid any duplication with Council meetings.

## **9.0 Appendices**

### **Appendix 1: Suggested dates to be agreed & adopted:**

<b>MEETING</b>	<b>DATE</b>	<b>TIME</b>	<b>LOCATION</b>
GwE Joint Committee	23 September 2015	Afternoon	Conwy
GwE Joint Committee	12 November 2015	Morning	Conwy
GwE Joint Committee	24 February 2016	Morning	Conwy
GwE Joint Committee	6 July 2016	Morning	Conwy